



# **Comprehensive Annual Financial Report**

**Fiscal Year Ended  
June 30, 2008**

**Prepared by:  
Business Office  
Paul A. Soma, CPA, CFO  
Traverse City Area Public Schools**

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Paul Soma, CPA, CFO**  
*Chief Financial Officer*

**Michele Greenan**  
*Executive Assistant*

September 30, 2008

To the Board of Education and the Citizens  
of the Traverse City Area Public School System,

State law requires that school districts publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants using generally accepted auditing standards as defined by the Comptroller of the United States in the publication *Government Auditing Standards*. These financial statements are required to be filed by November 15 of each year for the immediately preceding fiscal year.

Pursuant to this requirement, we are proud to issue this Comprehensive Annual Financial Report (CAFR) of the Traverse City Area Public Schools (the District) for the year ended June 30, 2008. A CAFR differs from traditional financial reports in that it is more comprehensive in scope and contains statistical information that includes financial and non-financial data presented over multiple (primarily ten) years. This is the fourth year our District has issued its financial report in this format. It is important to note that we, as management, are responsible for the financial information contained in this CAFR. We assume full responsibility for the completeness and reliability of all the information presented herein.

The format of this CAFR is designed to meet the needs of a broad spectrum of readers of financial reports and is divided into three major sections:

- **Introductory section** – The introductory section introduces the reader to the report and includes this transmittal letter, the organizational chart of the District, and a list of Trustees elected to the Board of Education and other officials of the District.
- **Financial section** – The financial section consists of the independent auditors' report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- **Statistical section** – The statistical section contains financial and other information that differ from financial statements in that they present accounting and non-accounting data, cover several years, and are designed to reflect social and economic data and financial and fiscal trends that help the reader gain a more thorough understanding of the District as a whole.

This transmittal letter is designed to introduce the reader to the District by providing high-level information of the District and the environment in which it exists. This transmittal letter should be read in conjunction with Management's Discussion and Analysis presented in the financial section of the CAFR.



## District Profile and Current Initiatives

The District's history dates back to 1853 when it was first organized as an "ungraded" school system that served approximately 3 square miles. Through the years, the District grew through numerous annexations, most of which took place from 1956 through 1979, to encompass its current size of approximately 300 square miles. In 1979, the board of education changed the District's name from the School District of Traverse City to the Traverse City Area Public Schools. The District currently serves over 10,300 K-12 students plus another 500 pre-k children.

The District is organized under Section 380.401 of the Revised School Code of Michigan. Its purpose is to educate those students who reside within its borders and any students outside its borders who choose to attend the District through the "schools of choice" program. To accomplish this purpose, as of September 1, 2008, the District operates 13 kindergarten through 5<sup>th</sup> grade elementary schools, two sixth through eighth middle schools, two traditional ninth through twelfth grade high schools, and an alternative high school. To meet the needs of its parents and students, the District offers a number of educational options including traditional K-12 education, Montessori curriculum, gifted and talented programming, all day every day Kindergarten programming, and special education programs. On an ancillary basis, the District also offers pay for service pre-school and before and after school "latchkey" type programs. The district consistently performs above state-wide and regional averages in terms of test scores and is nationally and internationally known for its extraordinary fine and performing arts programs.

The District is located in the northwest corner of Michigan's lower peninsula and, as noted above, covers approximately 300 square miles. The area is known for its beautiful geography with numerous lakes and hills and abundant farm and otherwise undeveloped land. The most notable aspect of the District's geography is that it surrounds Grand Traverse Bay, which is a well defined bay with a 20 mile peninsula dividing its east and west side (appropriately named East Bay and West Bay). This area is very recognizable on any Michigan map.

The most recent statistics published in May of 2008 (based on June 30, 2007 data) by the Michigan Department of Education in their bulletin 1014 "Michigan Public School Districts Ranked by Selected Financial Data" ranked the District as the 21<sup>st</sup> largest out of 773 school districts in the State of Michigan in terms of student population. Under the school funding system established in Michigan in 1994, schools are funded on a per-pupil "foundation" basis. The Traverse City Area Public School District operates on what is known as the "base" (lowest) foundation per student, which was \$7,204 in fiscal 2008. The District ranks 575<sup>th</sup> in total general fund revenues per student of \$8,036, which includes state categorical and federal program revenue in addition to the base foundation allowance. Spending priorities can be seen in the chart below that shows the District focuses its limited resources on instruction (428<sup>th</sup> in the state for basic programs) and instructional support (304<sup>th</sup>), and less resources on business and administration (580<sup>th</sup>), and Operations and Maintenance (568<sup>th</sup>).

|                           |                                   |          |     |
|---------------------------|-----------------------------------|----------|-----|
| General fund revenues     | - All sources                     | \$ 8,036 | 575 |
| General fund expenditures | - Basic programs                  | 3,889    | 428 |
|                           | - Added needs                     | 819      | 462 |
|                           | - Instructional support           | 646      | 304 |
|                           | - Business and administration     | 971      | 580 |
|                           | - Operation and maintenance       | 770      | 568 |
|                           | - Total General Fund Expenditures | 7,923    | 580 |

Data such as that noted above helps show our stakeholders that the limited resources available to us are directed properly. Additionally, in spite of the tough economic climate faced by many schools in Michigan, our District has the honor of being rated “AA” by Standard and Poor’s and “Aa3” by Moody’s Investor Services. The Standard & Poor’s rating was upgraded from AA- to AA in March of this year while the Moody’s rating was re-iterated. Such high ratings in these very difficult financial times serve as independent verification of the District’s commitment to fiscal responsibility.

As noted above, the District takes fiscal responsibility and planning seriously. To this end we have incorporated multi-year budgeting and forecasting into the management of our operations. As a result of this planning, the District has been able to deal with the downturn in the economy and the lack of state funding increases, coupled with double digit increases in health and retirement benefits and utility costs, as effectively as possible, while still maintaining the ability to deliver a superior education. Budget reductions have been made in almost every department and staffing levels have been decreased through attrition.

The budget cutting process is never an easy one. In March of 2006, on the heels of a \$2 million budget reduction, the District committed to undertaking a Long Range Planning process to address a myriad of issues facing the District including added demands of new state-mandated high school graduation requirements, continuing budget pressures, and a slowly declining enrollment. This planning process commenced in the summer of 2006 and lasted a full 12 months.

The process went to great lengths to include community input to get a thorough understanding of public sentiment regarding the issues faced by the District, and the direction citizens would like to see TCAPS take. The process was driven by a 100-member steering committee made up of a cross section of our community including District employees, parents, students, and community and business leaders. The process included thorough analysis of our region’s demographics and their projected impact on the District, and focused on how to position our District to deliver the best education to all students in today’s global economy. As a result of this long-range plan, the committee recommended, and the District agreed to implement, the following dramatic and far reaching changes to its structure:

- Moving from a K-6, 7-9, 10-12 configuration to a more traditional K-5, 6-8, 9-12 configuration.
- Closing 3 elementary schools in order to maintain small class size and to avoid operating excess capacity.
- Relocating the Montessori program from its current location housed within one of our elementary schools to its own separate site.

The District committed to planning for these changes during the 2008 fiscal year with implementation to occur in the fall of 2008 (the 2008/09 school year).

These changes, while challenging, will set the stage for the District to continue to deliver its outstanding educational programming for years to come. The reduction of three elementary schools allows the District to focus its limited resources on classroom instruction as opposed to unnecessary overhead associated with open facilities. In fact, the District has committed all savings from the school closings back into programming. The programming additions that will be available starting in the Fall of 2008 include: the expansion of the District’s all day every day kindergarten programming; further enhancements to early childhood education; middle school intramural athletic opportunities; expanded special education programming; increased classroom technology initiatives; and moving to a trimester schedule at the high schools. While these tough financial times make educational programming additions very difficult, the District continues to be committed to meeting the demands of its constituents who have been requesting more programming options, and to providing an education that assures all students achieve.

In addition to the above noted long-range plan, the District is continuing its successful capital planning initiative that was started in 2004. Like many districts across the country, our District is saddled with an aging infrastructure and had gotten behind on major capital replacement schedules for educational equipment and buses. As experienced by many other districts, funds for the upkeep of infrastructure and for adequate replacement schedules were scarce. The plan put forward to the taxpayers on two separate occasions called for a structured, multi-year approach to dealing with the District's infrastructure problems. The main tenet of this plan was to ask taxpayers to allow the District to sell bonds over the years that would have the impact of keeping the millage rate for debt service consistent at 3.1 mills. The District put this proposal before the taxpayers in June of 2004 and November of 2007. Both proposals passed by an overwhelming margin (over 60% support both times). The 2004 ballot authorized \$42 million while the 2007 ballot authorized \$105 million. The bonds are structured in series with sales occurring approximately every other year. The funding provided by these bonds is used for the following:

- Upgrading/reconstructing educational facilities (i.e., school buildings)
- Upgrading technology standards and implementing a district-wide fiber network
- Replacing buses
- Replacing certain educational and operational capital equipment
- Capital improvements to physical education and athletic facilities
- Capital improvements to operational and administrative facilities

Furthermore, the District has agreed to sell the bonds in short (10 year) durations. This has the impact of keeping interest costs low and having bonds roll off debt schedules quickly. Additionally, as will be discussed later in this transmittal letter, the District has the benefit of existing in an area of rising property values. Low debt costs, short maturities, and a rapidly rising tax base allow the District leverage in relation to its debt millage.

The work that has been and continues to be completed as a result of these bond funds is substantial and has a positive impact on the District's ability to provide an excellent education to its students. Projects completed since 2004 include a complete reconstruction of two elementary facilities, partial reconstruction and additions to two other elementary buildings and sites, classroom upgrades at the secondary level to help meet the requirements of new high school graduation standards, site improvements and parking lot upgrades at the high schools, completion of an integrated fiber and wireless system that provides a backbone for the District's technology needs, the replacement of outdated educational and operational equipment, and the replacement of approximately 10 busses each year. All projects to date funded by these bond proceeds have been completed on time and within budget.

### **Internal Control Structure**

The District makes internal financial control a priority. A comprehensive internal control framework has been designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. The system of controls that has been established relies on a combination of sound internal control practices such as separation of critical duties, computerized budgetary spending controls on the financial accounting system, financial review by budgetary managers at the site, department, and district level, and reconciliations of bank accounts and liability accounts on a regular basis. As is sound general practice, the cost of instituting internal controls should not outweigh the benefits received from such controls. The control structure, therefore, is designed to provide reasonable, rather than absolute, assurance that the District's financial statements are free from material misstatements. Independent auditors review the District's internal control structure yearly. Because of internal controls, the District is able to assert that to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

## **Budgetary Control**

The District adopts an annual budget for its funds, which acts as an initial operating plan for the year in accordance with the State of Michigan Uniform Budgeting and Accounting Act. This budget is established prior to the fiscal year beginning and is amended at various times throughout the year to reflect changes in expectations and assumptions. Major changes that lead to budget amendments include changes to assumptions for state revenue, student enrollment, staffing, and federal and state programs.

Annual appropriations lapse at year-end with the exception of those listed as a fund balance reserve. During June of each year, the District Superintendent, in conjunction with the Chief Financial Officer, present to the Board a proposed operating budget for the next fiscal year commencing on July 1st. This budget includes proposed expenditures and the means of financing them.

The District ensures budgets are not exceeded by establishing “appropriations” for individual budget managers. If a purchase order exceeds appropriations, that transaction will be denied and returned to the originator. Additionally, all large purchases (those in excess of \$5,000) must contain three informal competitive quotes and be approved on-line by the District purchasing manager. The Chief Financial Officer must approve any transaction over \$10,000. Finally, any transaction exceeding the State of Michigan threshold required for sealed bids (\$19,650 for fiscal 2008) must be formally approved by the Board of Education.

The level by which expenditures may not exceed appropriations has been determined by the State to be the function level. Recently, the state has noted a large number of districts in violation of this requirement and has stepped up enforcement of the requirements of the Uniform Budgeting and Accounting Act. Particularly, the state has noted districts whose final appropriations are in excess of Board approved amounts, and districts whose combined fund balance and revenues are not adequate to meet actual expenditures. Our District has always taken the requirements of this Act very seriously and continues to adhere to these requirements.

The District’s 2008 fund balances and projected 2009 revenues are sufficient to meet the 2009 budget as presented to the Board in a public budget hearing in June of 2008.

## **Cash Management and Investments**

The District monitors cash flow on a monthly basis and prepares formal yearly cash flow projections each June as part of the budget adoption process. Board policy and state law govern investment of idle cash. The District’s policy is more restrictive than state law in that commercial paper, while legal from the state’s perspective, is not an authorized investment per the District’s policy. The District’s policy states, “The primary objectives, in order of priority, of investment activities shall be safety, liquidity, and yield.” The policy also calls for periodic (monthly) reports to the Board of Education indicating pertinent investment information such as account balances, market values, maturity dates, and yields. Authorized investments include bonds, bills, or notes of the United States; certificates of deposit issued by a state or nationally chartered bank; securities issued or guaranteed by agencies or instrumentalities of the United States; and mutual funds or investment pools that are composed entirely of investments legal for direct investment by a school district.

## **Risk Management**

The District participates in large self-insurance pools of educational institutions for property and casualty insurance and workers’ compensation insurance. The District pays annual premiums into the pools under a retrospectively rated policy. These pools have built sufficient reserves to cover claims by all participating members and in fact, have built excess reserves that are returned to participating members annually based on favorable prior year experience. The pools purchase reinsurance coverage to cover catastrophic claims.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Michigan. Claims are monitored internally to ensure appropriateness. Any inappropriate claims are challenged aggressively to mitigate the District's financial exposure.

### **Independent Audit**

This financial report has been subject to an audit conducted by the licensed Certified Public Accounting firm of Maner, Costerisan & Ellis, P.C. (MC&E). Management has certified to the firm that all records have been made available for their review and that management is not aware of any outstanding issues that would have a material impact on this report. MC&E has issued a non-qualified opinion that the financial information contained in this CAFR accurately reflects the year-end condition of the District's financial condition.

### **Economic Condition and Outlook of Regional and Local Economy**

Traverse City Area Public Schools is located in Northwestern Lower Michigan and is spread over Grand Traverse County and small portions of Benzie and Leelanau Counties. The economy of Northwest Lower Michigan is varied with a heavy reliance on service industries and health care. This is indicative of the region's reliance on tourism and the fact that it is an attractive area for retirees. A breakdown of the top ten private industry employers in Northwest Lower Michigan by industry is as follows:

| <u>Industry</u>                        | <u>Employees</u> | <u>Percent of Total</u> |
|--|------------------|-------------------------|
| Food Services and Drinking Places      | 10,049           | 10.2                    |
| Hospitals                              | 6,147            | 6.2                     |
| Ambulatory Health Care Services        | 5,673            | 5.7                     |
| Specialty Trade Contractors            | 4,659            | 4.7                     |
| Accommodation                          | 4,658            | 4.7                     |
| Administrative and Support Services    | 4,414            | 4.5                     |
| Professional and Technical Services    | 3,945            | 4.0                     |
| Transportation Equipment Manufacturing | 3,465            | 3.5                     |
| General Merchandise Stores             | 3,301            | 3.3                     |
| Food and Beverage Stores               | 3,207            | 3.2                     |

Source: Annual Planning Information Report – Northwest Michigan Council of Governments  
Prepared by: Michigan Department of Labor & Economic Growth

While Traverse City does not encompass all of Northwest Lower Michigan, the above noted employment statistics are generally reflective of the industry breakdown in the District's community.

Ironically, the same factors that make this area desirable from a quality of life standpoint and an attractive place to vacation to "get away from it all", can also be seen as impediments to traditional economic growth. The Traverse City Area is geographically located out of the way of any mainstream thoroughfare, and is therefore not an attractive place for major business operations that may require intra or interstate commerce. This, however, may bode well for this area in coming years as economies in general transition to the requirements of the "flat" world, which is based more on "knowledge" industries than on "manufacturing" or other traditional industries. Historically, compensation in the area lags state and national averages, while unemployment is below the state average but above national averages.

The region's overall population continues to grow. In fact, the region is projected to grow faster than the state and the rest of the country over the next fifteen years in terms of population. People who move to this area routinely do so for "quality of life" reasons. The fastest growing segment of the population in this area is made up of individuals in the age range of 30-39, 60-69, and 80 and older. It is interesting to note that growth in the older segments of this region's population does not translate into more students for our school system. In fact, while the population of older residents is expected to increase, the population of children between the ages of 10-19 is expected to decrease by 4.2% while those ages 0-9 is expected to increase only 2.4% over the next five years. (Source: *2007 Economic Forecast*, prepared by the Traverse City Area Chamber of Commerce).

This type of growth, i.e., growth in the older population, is a major factor driving this region's economy. As the population ages, it is expected that demand for medical services will continue to grow. Munson Medical Center is the region's largest employer. The medical services industry is expected to be one of the fastest growing industries in the region through 2010.

Tourism also plays a major role in this region's economy and will likely play a large role in the region's growth in the coming years. Mainstream attractions are increasingly looking to locate in Traverse City given its propensity to attract tourists. The Great Wolf Lodge is a prime example of this. Gaming, another activity that attracts tourists is also a major player in the area. Traverse Bay Entertainment, which specializes in gaming, is the region's third largest employer.

During fiscal year ended June 30, 2008, the region's top ten largest employers and number employed are as follows:

| <u><b>Employer</b></u>                    | <u><b>Number<br/>Employed</b></u> |
|---|-----------------------------------|
| Munson Medical Center                     | 2,221                             |
| Traverse City Area Public Schools         | 1,459                             |
| Traverse Bay Entertainment                | 1,200                             |
| Interlochen Center for the Arts           | 350 - 1,200                       |
| Nish-Nah-Bee                              | 500 - 999                         |
| Grand Traverse Resort                     | 600 - 900                         |
| Sara Lee Bakeries                         | 700                               |
| Northwestern Michigan Community College   | 623                               |
| Traverse Bay Intermediate School District | 600                               |
| Cherry Growers Inc.                       | 225-600                           |

One interesting factor to note about this District's economy is the rate of growth in the taxable value of property located in the District. Property values have grown at an average rate of 7.55% over the last six years. Taxable value of property located in the District over the last five years is as follows:

| Ad Valorem Taxable Value Growth History |               |       |
|---|---------------|-------|
| 2001                                    | 2,572,799,390 |       |
| 2002                                    | 2,769,516,266 | 7.65% |
| 2003                                    | 2,945,993,996 | 6.37% |
| 2004                                    | 3,203,859,868 | 8.75% |
| 2005                                    | 3,416,865,364 | 6.65% |
| 2006                                    | 3,748,063,486 | 9.69% |
| 2007                                    | 3,979,593,883 | 6.18% |

While this growth does not impact the general fund revenues of the District (as noted earlier, districts in Michigan are state funded institutions funded on a per-pupil foundation allowance), it does impact the District's ability to raise funds for infrastructure needs. This growth is one of the major factors involved in the District's long term infrastructure planning. As property values grow, the District is able to leverage more dollars at the same millage rate. The community has responded positively to this approach.

#### **Award for Excellence in Financial Reporting**

The Association of School Business Officials, International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2007.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to the program's standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the program's requirements, and are submitting it to ASBO to determine its eligibility for another certificate for the year ended June 30, 2008.


### Acknowledgements

The preparation of this report could not have been accomplished without the hard work and dedication of the members of the business office. We would like to express appreciation to all the members of the business office for their assistance with this report and their commitment to the District throughout the year. You are truly an impressive staff! Special appreciation for the compilation of this report is expressed to Michele Greenan, Executive Assistant to the CFO, Wes Souden, Director of Finance and Business Technology, Sandy Low, Finance Manager, and Christine Thomas, Accountant.

Finally, we express our gratitude to the Board of Education for their support of, and commitment to, the responsible financial management of the District.

Respectfully submitted,

James G. Feil  
Superintendent

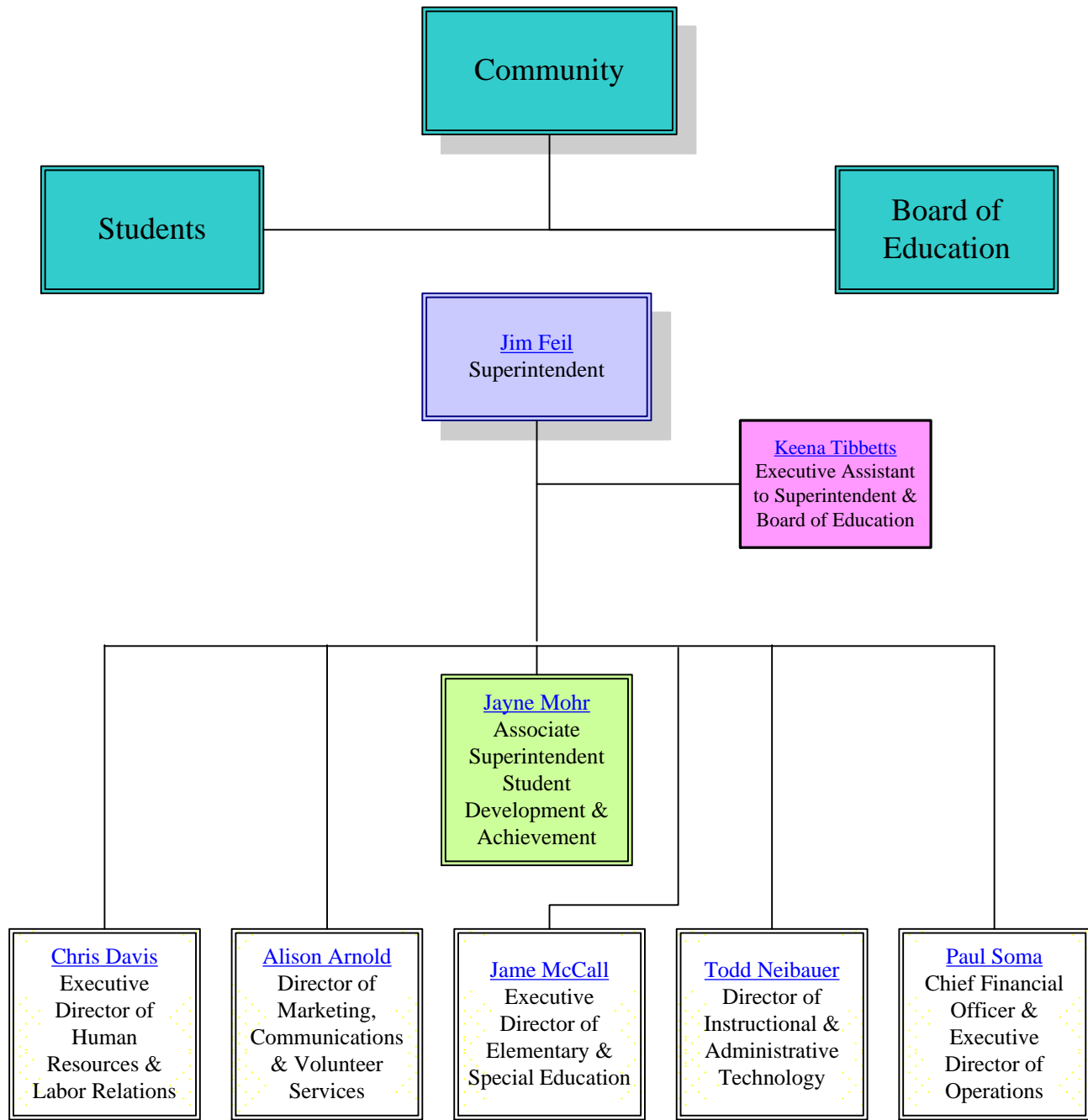
A handwritten signature in black ink, appearing to read 'James G. Feil', written in a cursive style.

Paul A. Soma, CPA  
Chief Financial Officer

A handwritten signature in black ink, appearing to read 'Paul A. Soma', written in a cursive style.



## Organizational Chart



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Principal Officials**

**Board of Education**

|                             |                      |                |
|-----------------------------|----------------------|----------------|
| Frederick H. Tank, Jr. .... | President .....      | December, 2010 |
| David W. Barr .....         | Vice President ..... | December, 2009 |
| Alice A. McNally .....      | Secretary .....      | December, 2010 |
| Megan M. Crandall .....     | Treasurer .....      | December, 2011 |
| Marjorie Rich .....         | Trustee .....        | December, 2011 |
| Suzann E. Brooke .....      | Trustee .....        | December, 2009 |
| Gerald P. Morris .....      | Trustee .....        | December, 2008 |

**District Executive Team**

|                         |  |
|-------------------------|--|
| James G. Feil .....     | Superintendent   |
| Dr. Jayne H. Mohr ..... | Associate Superintendent                                   |
| Paul A. Soma .....      | Chief Financial Officer & Executive Director of Operations |
| Christine Davis.....    | Executive Director of Human Resources & Labor Relations    |
| Jame McCall .....       | Executive Director of Elementary & Special Education       |
| Alison Arnold.....      | Director of Marketing, Communications & Volunteer Services |
| Todd Neibauer .....     | Director of Instructional & Administrative Technology      |

**Official Issuing Report**

|                    |  |
|--------------------|--|
| Paul A. Soma ..... | Chief Financial Officer & Executive Director of Operations |
|--------------------|--|

**Department Issuing Report**

Business Office

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**TRAVERSE CITY AREA PUBLIC SCHOOLS**

**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

*Grove E. Brendel*

President

*John D. Mueser*

Executive Director



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis  
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Traverse City Area Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of June 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of Traverse City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 16 - through 26 and page 62, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traverse City Area Public Schools' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purpose of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Traverse City Area Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in addition to the basic financial statements taken as a whole.

*Mama, Costeniser & Ellis, P.C.*

September 30, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Traverse City Area Public Schools' (District) comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the transmittal letter found on pages 2 - 10 and the District's financial statements, which immediately follow this analysis.

### OVERVIEW OF THE FINANCIAL STATEMENTS

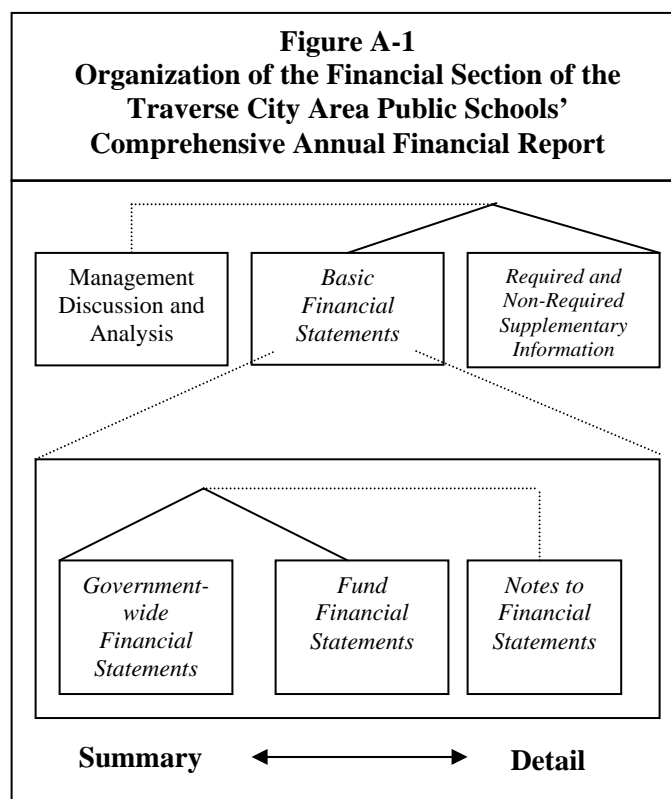
This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required and non-required supplementary information.

Government-wide and fund financial statements present two different views of the District:

The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.

- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.



The notes to the financial statements explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. This section is followed by a section of non-required supplementary information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

| <p><b>Figure A-2</b><br/> <b>Major Features of Government-Wide and Fund Financial Statements</b></p> |  |   |  |
|--|--|---|--|
|  | Government-wide<br>Statements  | Fund Financial Statements   |  |
|  |  | Governmental Funds  | Fiduciary Funds  |
| Scope  | Entire district<br>(except fiduciary funds)  | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance  | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies                    |
| Required financial statements  | * Statement of net assets<br>* Statement of activities                             | * Balance sheet<br>* Statement of revenues, expenditures and changes in fund balances   | * Statement of fiduciary assets and liabilities  |
| Accounting basis and measurement focus   | Accrual accounting and economic resources focus                                    | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus  |
| Type of asset/liability information  | All assets and liabilities, both financial and capital, short-term and long-term   | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                     | All assets and liabilities, both short-term and long-term, Traverse City Area Public Schools' funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information   | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid  |

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

The difference between revenues and expenses represents the District's operating results for the year. It should be noted that the District's goal is not simply to generate profits, as may be the case for a commercial entity. To assess the overall health of the District, one must consider many other factors, such as quality of education provided, safety of the students, enrollment trends and the physical condition of school buildings and other facilities, just to name a few.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, food services, and childcare. Unrestricted State Aid (foundation allowance revenue), property taxes, and state and federal grants finance most of these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to help it control and manage money for particular purposes (e.g., Child Care Fund) or to show that it is properly using certain revenues (e.g., Food Services Fund).

The District has two kinds of funds:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on how cash (and assets that can be readily converted to cash) flow in and out and the balances left at year-end that are available for spending. These balances are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the Trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and only by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Recall that the statement of net assets provides the perspective of the School District as a whole. Figure 1 provides a summary of the District's net assets as of June 30, 2008 and June 30, 2007. At the end of this fiscal year, the District's assets exceeded liabilities by \$74.6 million.



**Figure 1**  
**Traverse City Area Public Schools' Net Assets**

|  | 2008                 | 2007                 | Change              |
|--|----------------------|----------------------|---------------------|
| Current and other assets                           | \$ 60,873,263        | \$ 37,766,774        | \$ 23,106,489       |
| Capital (noncurrent) assets                        | 122,334,464          | 117,379,137          | 4,955,327           |
| <b>Total assets</b>                                | <b>183,207,727</b>   | <b>155,145,911</b>   | <b>28,061,816</b>   |
| Long-term debt outstanding                         | 84,704,611           | 63,348,919           | 21,355,692          |
| Current and other liabilities                      | 23,943,890           | 21,985,633           | 1,958,257           |
| <b>Total liabilities</b>                           | <b>108,648,501</b>   | <b>85,334,552</b>    | <b>23,313,949</b>   |
| <b>Net assets</b>                                  |                      |                      |                     |
| Invested in capital assets,<br>net of related debt | 61,407,580           | 54,971,707           | 6,435,873           |
| Restricted   | 365,445              | 1,636,811            | (1,271,366)         |
| Unrestricted                                       | 12,786,201           | 13,202,841           | (416,640)           |
| <b>Total net assets</b>                            | <b>\$ 74,559,226</b> | <b>\$ 69,811,359</b> | <b>\$ 4,747,867</b> |

- The largest portion of the District's net assets (82%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and hence these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are in use and not available to liquidate these liabilities.
- An additional portion (less than 1%) of the District's net assets represents resources that are subject to external restrictions on how they may be used. This entire balance is restricted for debt service.
- The remaining balance of unrestricted net assets (17%) may be used to meet the District's obligations for normal operations in its various funds.

The District is able to report positive balances in all three categories of net assets. Capital assets, net of related debt, increased primarily as a result of the District paying down debt associated with those assets in excess of depreciation expense. This explains approximately \$5.8 million of the increase noted. The remaining increase is the result of the District adding capital assets with general funds of the District (i.e., not "capital project funds") and minor other revenues within the non-major capital project funds. Restricted assets showed a large decrease that is the result of a planned spend down of fund balance in the debt service fund. The small decrease in unrestricted net assets was the result of the combination of a number of funds within the District using a small portion of their fund balance to balance operations for the year.

Figure 2 shows the change in net assets resulting from the District's government-wide activities for both fiscal years:

**Figure 2**  
**Changes in Traverse City Area Public Schools' Net Assets**

|  | 2008                | 2007                | Change                |
|--|---------------------|---------------------|-----------------------|
| <b>REVENUES</b>                        |                     |                     |                       |
| Program revenues:                      |                     |                     |                       |
| Charges for services                   | \$ 5,582,211        | \$ 5,727,574        | \$ (145,363)          |
| Federal and state categorical grants   | 8,223,829           | 6,911,725           | 1,312,104             |
| General revenues:                      |                     |                     |                       |
| Property taxes                         | 45,299,073          | 42,479,858          | 2,819,215             |
| State aid - unrestricted               | 44,256,448          | 46,402,687          | (2,146,239)           |
| Other                                  | 4,604,287           | 6,114,923           | (1,510,636)           |
| Total revenues                         | <u>107,965,848</u>  | <u>107,636,767</u>  | <u>329,081</u>        |
| <b>EXPENSES</b>                        |                     |                     |                       |
| Instruction                            | 51,089,626          | 50,700,895          | 388,731               |
| Support services                       | 35,928,588          | 33,148,544          | 2,780,044             |
| Community services                     | 2,362,290           | 2,175,103           | 187,187               |
| Food services                          | 4,700,534           | 4,685,208           | 15,326                |
| Athletics                              | 1,597,659           | 1,558,812           | 38,847                |
| Outgoing transfers and other transfers | 981,439             | 528,327             | 453,112               |
| Interest on long-term debt             | 3,477,372           | 3,014,163           | 463,209               |
| Unallocated depreciation               | 3,080,473           | 3,238,199           | (157,726)             |
| Total expenses                         | <u>103,217,981</u>  | <u>99,049,251</u>   | <u>4,168,730</u>      |
| Change in net assets                   | <u>\$ 4,747,867</u> | <u>\$ 8,587,516</u> | <u>\$ (3,839,649)</u> |

As shown in Figure 1, the District's net assets were \$74,559,226 at June 30, 2008, which is a 6.8% improvement over the prior year. This increase, as discussed above, is primarily the result of the District paying down debt faster than depreciation expense, as well as some minor capital purchases out of the general fund of the District, which has the result of increasing capital assets (net of related debt). These increases were offset to a minor degree by decreases in unrestricted assets. These decreased, as noted above, from a planned spend down of debt funds coupled with minor spending in excess of revenues in other funds for the fiscal year ended June 30, 2008.

Total revenues essentially remained unchanged (\$300,000 increase or approximately 0.3%), while total expenses increased by \$4.2 million or 4.2%. The stability in total revenues is the result of fluctuations within the various categories essentially offsetting themselves. As can be seen in Figure 2, property taxes and Federal and State categorical grants revenue increased while "unrestricted state aid" and "other" decreased. The increase in "property taxes" and the decrease in "unrestricted state aid" can be explained by the State of Michigan School funding formula. The state funding formula calls for per pupil funding to be paid by two sources, local "non-homestead" property taxes and unrestricted state aid. Whatever is not paid for by the local tax is made up for by the State as long as the District maintains a certain state-determined millage rate. Because of this funding mechanism, payments made by local property taxes result in one-for-one decreases in the amount paid by the State. In 2008, the District's funding per pupil increased by \$96, however the total number of students in the district decreased by 156. These two amounts essentially offset each other resulting in a similar level of total funding provided for the education of students in fiscal year 2008 as compared to fiscal year 2007. The amount of property taxes increased in excess of the decrease in unrestricted state revenues is due to increased property values, and hence tax collections, in the District debt fund.

The increase in Federal and State categorical grants is primarily the result of a new Federal Smaller Learning Community Grant, which accounted for approximately \$800,000 of the noted increase. The remaining increase is the result of increases in Title I, Title II, and the Federal Carol M. White Physical Education Grant.

“Other” revenues decreased as a result of an arrangement the District has with the ISD in relation to certain construction projects. In fiscal 2007, our ISD worked with the District to construct classrooms for ISD use in one of the District’s elementary buildings. The reimbursements for this work appeared as “other” revenue in 2007. There was no project of that magnitude in 2008, thus creating a decrease in other revenues.

The approximate \$4.2 million increase in total expenses is the result of numerous factors. Federal Grants increased by \$1.3 million. Interest expense increased by approximately \$400,000 due to the timing of the District’s refunding and new bond sales. Depreciation expense increased by approximately \$300,000, which is the result of the addition of new capital assets. In the general fund, the District committed approximately \$200,000 to the costs of major transitions, while the remaining increase of approximately \$2.0 million was the result of high levels of inflationary pressure in certain line items such as natural gas and diesel fuel, as well as normal levels of inflationary pressure in salaries and benefits.

## **DISTRICT GOVERNMENTAL ACTIVITIES**

As noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources the State, taxpayers and others provide to it and may provide more insight into the District’s overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$47,216,300, which is a \$19,773,887 increase from the prior year. The majority of this increase (approximately \$21.1 million) is the result of combined revenues in excess of combined expenditures in the 2005, 2007 and 2008 capital projects funds. This \$21.1 million increase was offset by expenditures in excess of revenues in the general fund and other non-major governmental funds of approximately \$1.3 million. Highlights of these items include:

- Major capital projects fund balances, in total, increased by \$21,101,035. This increase is the result of a \$30 million bond sale, which is offset by capital expenditures that total \$9,336,220. The expenditures were the result of the District continuing implementation of its long-term capital project plan. Projects completed this past year include the addition of a total of 13 classrooms at two elementary buildings, purchasing buses, the completion of a government-wide fiber and wireless project for technology, purchasing technology and other instructional equipment, and purchasing certain operational equipment. These projects were funded by the sale of bonds in 2005, 2007 and 2008 from authorizations that were voted on and approved by taxpayers in 2004 and 2007.
- The general fund balance decreased by \$388,832. This decrease was planned as the District dealt with the same challenges being faced by private and public entities across the country. Total revenues were essentially flat with increases in federal program revenue accounting for the difference in revenue compared to the fiscal year ending in 2007. Expenditures, on the other hand, increased by approximately \$2.6 million. Substantial increases were experienced in heating costs (natural gas), other utilities and diesel fuel. Salaries and benefits, which make up the majority of the District’s expenditures, experienced moderate increases.
- Decreases of \$938,316 in other non-major funds account for the remaining changes in the District’s combined fund balances. Almost all of this decrease was from a planned spend down of the debt service funds.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with numerous changes in expected revenues and expenditures. Under normal circumstances, the District adjusts its budget to reflect a wide variety of federal and state programs, many of which are not finalized until well after the District's original budget is required to be adopted. Additionally, the State of Michigan has faced a severe economic downturn in recent years and generally has not adopted its state school aid budget until well after the District budget is required to be adopted. Given that the majority of District revenues come in the form of state-aid, this situation has presented major challenges to schools in Michigan as they prepare their original budgets. We are no exception in this regard. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The District amended its budget on two occasions this fiscal year.

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Highlights of changes to the general fund original budget as compared to the final budget were as follows:

- Budgeted revenues were increased \$2,706,265, which was primarily the result of recognizing additional federal and state program revenues, recognizing additional revenues from the intermediate school district and other incoming transfers, and recognizing a decrease of 100 students below our original projections. The impact of these changes from our original budget to our amended budget is as follows:
  1. Increases in local revenues were the result of adjusting for actual property tax values in relation to the state and local portions of the foundation allowance.
  2. Decreases in state revenues were the result of the above noted foundation allowance funding adjustments. Additionally, a decrease in student count of 100 students below our original estimate resulted in an approximate \$700,000 decrease from our original expectations. These decreases were offset by the recognition of additional restricted State programs resulting in an approximate \$600,000 increase from our original budget.
  3. Recognition of all restricted Federal programs into our budget accounted for a \$2.1 million above the District's original budget.
  4. Increases in incoming transfers/other offset the decrease resulting from the District's student count expectations by approximately \$600,000. This increase was primarily the result of a one-time allocation from the Intermediate School District of \$400,000 to supplement District revenues, coupled with the recognition of Medicaid revenues to the District that flow through the ISD in excess of budget revenues.
  5. The remaining increase of approximately \$200,000 was the result of recognizing additional local restricted grants (approximate \$300,000 increase), which was offset by a minor adjustment to other revenue (approximate \$100,000 net decrease), including a decrease to interest income expectations.

- Budgeted expenditures were increased by approximately \$2.8 million. This was primarily the result of recognizing additional federal and state programs during the year, coupled with increases to budget line items for utilities, diesel fuel, and transition costs associated with a major reorganization of the District's grade configuration. Essentially all of these increases were seen in the support functions, while the total instructional budget essentially remained unchanged from the original budget to the final amendment (approximate change of \$200,000 or 0.3%). The impact of these changes from the District's original budget to the District's final budget is as follows:
1. Instructional staff support increased by approximately \$1.3 million. Approximately \$900,000 of this increase was a direct result of fully recognizing state and federal programs into the budget. The remaining approximately \$400,000 increase was the result of an accounting change relating to costs associated with the District's special education director, the recognition of costs related to transition activities, and increased costs associated with television broadcasts of board and committee meetings.
  2. Pupil Support services increased by approximately \$300,000, which is the result of aligning professional staff (namely counselors, social workers, and nurses) that were originally budgeted in the "instructional" function into their correct function of pupil support service. Another component of this difference is an increase to the various site budgets as part of their share of District profits from fee for service childcare programs and site rentals.
  3. Transportation increased by approximately \$200,000, which was caused primarily by the sharp increase in diesel fuel prices. This increase would have been greater, however efficiencies in routing led to less than anticipated staffing costs, which offset some of the increase in diesel fuel costs.
  4. Central Services increased by approximately \$300,000 which is the result of carryover of prior year projects that were in process at the June 30, 2007 year end in the technology department, coupled with a reorganization of the communications and grants department and the alignment of internet services with proper accounting codes according to the Michigan School accounting manual.
  5. The Community Services budget increased by approximately \$300,000, which is the result of new federal and state programming initiatives.
  6. Outgoing Transfers increased by approximately \$500,000, which is the result of the District implementing federal grants (Smaller Learning Communities and the 21<sup>st</sup> Century Community Learning Centers) in which the District acts as the fiscal agent for six other districts. Funds flowing to these other districts through Traverse City Area Public Schools are accounted for as Outgoing transfers.
  7. Minor fluctuations in other functions account for the remaining budget adjustments that occurred between the original and final budgets.

Highlights of the final amendment in comparison to actual results included the following:

- The \$1,524,510 negative revenue variance is the result of deferring approximately \$1.4 million more than budgeted in federal, state, and local restricted revenues (i.e., grants). This variance is an expected outcome in that federal programs, restricted state programs, and local grants are budgeted in their full amounts and any remaining program budget is “carried over” to the next fiscal year. The District does not lose these funds. The remaining shortfall of approximately \$100,000 is considered minor and was primarily the result of numerous minor adjustments to a number of different accounts.
- The \$2,830,964 positive variance in expenditures is the result of not spending all federal, state and local program dollars (which, as stated above, are carried over to the next year), coupled with a positive general fund variance in general fund unrestricted expenditure line items. Specifically:
  1. Approximately \$1.4 million of the positive variance is the result of federal, state and local program carryovers. These restricted grants are budgeted at their full amount during our fiscal year. Because most of these grants do not have the same fiscal year as our District, any amount remaining at June 30 is simply rolled over into our new fiscal year. Approximately \$1 million of the fluctuation noted in Instruction and Instructional staff support functions is due to federal and state programming carryover.
  2. The positive variance of approximately \$300,000 in operations and maintenance is the result of not filling certain open positions and budgeting contingencies for supplies and utilities. These contingencies were not used, however the District felt the need to be conservative in these line items as the costs associated with them fluctuated greatly throughout the year, especially in relation to natural gas.
  4. The remaining positive budget variance of approximately \$1,100,000 represents approximately 1.2% of general fund budgeted expenditures. This variance is consistent with our District’s conservative spending practices. The District makes a concerted effort to stretch dollars throughout the year by spending for only what is needed and being very cautious in regard to replacing staff. This variance is also reflective of our adherence to the Michigan Uniform Budget and Accounting Act, which makes it a violation if school districts in Michigan overspend their formally adopted budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, the District had \$186.9 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents an increase (including additions and disposals) of approximately \$9.0 million or 5.0% percent, from last year and is the result of the District’s continuing bond projects, which are funded with proceeds from fiscal 2005, 2007, and 2008 bond sales. An increase of \$4.3 million in accumulated depreciation offset the noted \$9.0 million increase in capital assets resulting in an increase in total non-current capital net assets of \$4.7 million, from approximately \$117.1 million to \$121.8 million (4.0%).

|                          | 2008           |                          |                | 2007           |
|--------------------------|----------------|--------------------------|----------------|----------------|
|                          | Cost           | Accumulated depreciation | Net book value | Net book value |
| Land                     | \$ 3,171,600   |                          | \$ 3,171,600   | \$ 3,171,600   |
| Construction in progress | 5,247,497      |                          | 5,247,497      | 6,282,565      |
| Land improvements        | 1,901,146      | 745,074                  | 1,156,072      | 1,206,037      |
| Building and additions   | 153,126,679    | 50,325,937               | 102,800,742    | 99,294,756     |
| Transportation equipment | 8,760,212      | 5,557,785                | 3,202,427      | 2,172,372      |
| Machinery and equipment  | 14,648,724     | 8,365,431                | 6,283,293      | 5,004,159      |
| Total                    | \$ 186,855,858 | \$ 64,994,227            | \$ 121,861,631 | \$ 117,131,489 |

This year's additions of \$9,726,207 included equipment, technology, building renovations, land improvements, and buses. More detailed information regarding the District's capital asset activity can be found in Note 4 to the basic financial statements following this analysis.

### Long-Term Debt

At year-end the District had \$92,505,538 in general and limited obligation bonds and \$1,489,693 in other long-term debt outstanding. The combined total reflects an increase of 26.3 percent from last year. This change was primarily the result of the District issuing new bonds in the current year in excess of the bonds that were paid down, coupled with the issuance of refunding bonds.

More detailed information about the District's long-term liabilities is presented in Note 5 to the basic financial statements.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of five existing circumstances that could significantly affect the financial health of our District in the future:

- State funding sources continue to be on unstable ground, as the Michigan economy, which is highly dependent on the success of the domestic automotive industry, continues to struggle. Michigan is currently plagued by one of the largest unemployment rates in the country and was recently listed as one of the worst states in the nation to conduct business by Chief Executive Magazine (January 22, 2008, Article: *CEOs Weigh In On Best, Worst State To Do Business*). The state has instituted mid-year reductions to school aid in two of the last six years, and has threatened to do so again in at least two others. The per-pupil increase given to schools in fiscal 2009 is less than inflation. The small increase, coupled with the fact that it is on unstable ground and is less than inflation, presents a very tenuous situation for schools across Michigan.
- Contract negotiations are in process with the Teachers' union. While these negotiations are progressing in a positive manner, the outcome of the negotiations could have a material impact on the operations of the District.
- The cost increases in health insurance premiums and the contribution rate for employee pensions (Michigan Public School Employee Retirement System) continue to be a serious problem for the District and our employees.

- On the positive side, the District's efforts in pursuit of a more fair and equitable State funding formula appear to be paying off. The District has taken a lead in working with the public and other school systems to raise awareness of the impact of the current State funding system. The current system provides different levels of funding based on where students live and is inherently discriminatory. To try to rectify this situation over time, the State instituted a new funding formula known as the 2x formula. This formula mandates that districts at the low end of the formula, like TCAPS, receive twice the increase as those districts at the high end of the formula. While it may take many years to ultimately close the gap to an acceptable level, this formula creates a strategic advantage for the District in relation to future per pupil increases given by the State.
- On another positive note, the voters of the District overwhelmingly supported the most recent bond proposal on the November 2007 ballot. As part of its on going capital planning, the District sought authorization from voters to sell \$105 million worth of bonds. The bonds from this sale will be sold in series over a 10-year period and will provide funding for building infrastructure improvements, bus replacements, technology and other educational and operational equipment replacement. The net effect on our community will be a millage rate that does not increase from its current rate of 3.1 mills as we continue to pay down old debt and the taxable value of our District continues to grow. Passage of this millage will have a very positive impact on the District's operations. The TCAPS community supported a similar bond issue in 2004 by a margin of approximately two to one. The success of these two issues shows widespread support for the capital planning being implemented.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Traverse City Area Public Schools, 412 Webster Street, Traverse City, MI 49685. We can be reached by phone at (231) 933-1735.



## **BASIC FINANCIAL STATEMENTS**

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

| <b>ASSETS</b>                             | <b><u>Governmental<br/>activities</u></b> |
|---|---|
| <b>CURRENT ASSETS:</b>                    |   |
| Cash                                      | \$ 12,634,089                             |
| Investments                               | 4,069,800                                 |
| Receivables:                              |   |
| Accounts receivable                       | 336,821                                   |
| Interest receivable                       | 205,141                                   |
| Taxes receivable                          | 196,447                                   |
| Due from other governmental units         | 9,251,916                                 |
| Inventories                               | 142,969                                   |
| Prepaid expenditures                      | 151,408                                   |
| Restricted cash - capital projects        | 5,394,933                                 |
| Restricted investments - capital projects | <u>28,489,739</u>                         |
| <b>TOTAL CURRENT ASSETS</b>               | <b><u>60,873,263</u></b>                  |
| <b>NONCURRENT ASSETS:</b>                 |   |
| Deferred charges, net of amortization     | 472,833                                   |
| Capital assets                            | 186,855,858                               |
| Less accumulated depreciation             | <u>(64,994,227)</u>                       |
| <b>TOTAL NONCURRENT ASSETS</b>            | <b><u>122,334,464</u></b>                 |
| <b>TOTAL ASSETS</b>                       | <b><u><u>\$ 183,207,727</u></u></b>       |

The notes to the basic financial statements  
are an integral part of this statement.

|   | <b>Governmental<br/>activities</b> |
|---|------------------------------------|
| <b>LIABILITIES AND NET ASSETS</b>                                   |                                    |
| <b>CURRENT LIABILITIES:</b>   |                                    |
| Accounts payable  | \$ 3,452,213                       |
| Accrued salaries and related items                                  | 9,144,623                          |
| Accrued interest  | 1,080,457                          |
| Unearned revenue  | 975,977                            |
| Current portion of long-term obligations                            | 8,760,771                          |
| Current portion of compensated absences and termination benefits    | 529,849                            |
| <b>TOTAL CURRENT LIABILITIES</b>                                    | <b>23,943,890</b>                  |
| <b>NONCURRENT LIABILITIES:</b>                                      |                                    |
| Noncurrent portion of long-term obligations                         | 83,744,767                         |
| Noncurrent portion of compensated absences and termination benefits | 959,844                            |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                 | <b>84,704,611</b>                  |
| <b>TOTAL LIABILITIES</b>  | <b>108,648,501</b>                 |
| <b>NET ASSETS:</b>  |                                    |
| Invested in capital assets, net of related debt                     | 61,407,580                         |
| Restricted for debt service   | 365,445                            |
| Unrestricted  | 12,786,201                         |
| <b>TOTAL NET ASSETS</b>   | <b>74,559,226</b>                  |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                             | <b>\$ 183,207,727</b>              |

The notes to the basic financial statements  
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

| Functions/programs                          | Expenses              | Program revenues     |                     | Governmental activities                         |
|---|-----------------------|----------------------|---------------------|---|
|   |                       | Charges for services | Operating grants    | Net (expense) revenue and changes in net assets |
| Governmental activities:                    |                       |                      |                     |   |
| Instruction                                 | \$ 51,089,626         | \$ 38,987            | \$ 3,433,880        | \$ (47,616,759)                                 |
| Support services                            | 35,928,588            | 926,937              | 1,688,106           | (33,313,545)                                    |
| Community services                          | 2,362,290             | 1,575,403            | 712,424             | (74,463)  |
| Outgoing transfers and other transactions   | 981,439               | -                    | 508,072             | (473,367)                                       |
| Food services                               | 4,700,534             | 2,765,191            | 1,881,347           | (53,996)  |
| Athletics                                   | 1,597,659             | 275,693              | -                   | (1,321,966)                                     |
| Interest on long-term debt                  | 3,477,372             | -                    | -                   | (3,477,372)                                     |
| Unallocated depreciation                    | 3,080,473             | -                    | -                   | (3,080,473)                                     |
| Total governmental activities               | <u>\$ 103,217,981</u> | <u>\$ 5,582,211</u>  | <u>\$ 8,223,829</u> | <u>(89,411,941)</u>                             |
| General revenues:                           |                       |                      |                     |   |
| Property taxes, levied for general purposes |                       |                      |                     | 32,780,989                                      |
| Property taxes, levied for debt service     |                       |                      |                     | 12,518,084                                      |
| Investment earnings                         |                       |                      |                     | 1,799,069                                       |
| State sources                               |                       |                      |                     | 44,256,448                                      |
| Traverse Bay Area ISD                       |                       |                      |                     | 1,920,866                                       |
| Other                                       |                       |                      |                     | <u>884,352</u>                                  |
| Total general revenues                      |                       |                      |                     | <u>94,159,808</u>                               |
| <b>CHANGE IN NET ASSETS</b>                 |                       |                      |                     | <u>4,747,867</u>                                |
| <b>NET ASSETS</b> , beginning of year       |                       |                      |                     | <u>69,811,359</u>                               |
| <b>NET ASSETS</b> , end of year             |                       |                      |                     | <u>\$ 74,559,226</u>                            |

The notes to the basic financial statements  
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

|                                      | <u>General Fund</u>  | <u>2007 Capital<br/>projects fund</u> | <u>2008 Capital<br/>projects fund</u> | <u>Other<br/>nonmajor<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|--------------------------------------|----------------------|---------------------------------------|---------------------------------------|--|---|
| <b>ASSETS</b>                        |                      |                                       |                                       |  |   |
| <b>ASSETS:</b>                       |                      |                                       |                                       |  |   |
| Cash and cash equivalents            | \$ 9,763,787         | \$ -                                  | \$ -                                  | \$ 2,870,302   | \$ 12,634,089                           |
| Investments                          | 4,069,800            | -                                     | -                                     | -  | 4,069,800                               |
| Receivables:                         |                      |                                       |                                       |  |   |
| Property taxes receivable            | 165,909              | -                                     | -                                     | 30,538   | 196,447                                 |
| Accounts receivable                  | 172,719              | -                                     | -                                     | 164,102  | 336,821                                 |
| Interest                             | 117,000              | 22,125                                | 66,016                                | -  | 205,141                                 |
| Due from other governmental units    | 8,964,010            | -                                     | -                                     | 287,906  | 9,251,916                               |
| Due from other funds                 | 80,052               | -                                     | -                                     | 229,377  | 309,429                                 |
| Inventories                          | 35,081               | -                                     | -                                     | 107,888  | 142,969                                 |
| Prepaid expenditures                 | 151,408              | -                                     | -                                     | -  | 151,408                                 |
| Restricted cash and cash equivalents | -                    | 2,766,839                             | 2,628,094                             | -  | 5,394,933                               |
| Restricted investments               | -                    | 3,160,759                             | 25,328,980                            | -  | 28,489,739                              |
| <b>TOTAL ASSETS</b>                  | <u>\$ 23,519,766</u> | <u>\$ 5,949,723</u>                   | <u>\$ 28,023,090</u>                  | <u>\$ 3,690,113</u>                                  | <u>\$ 61,182,692</u>                    |
| <b>LIABILITIES AND FUND BALANCES</b> |                      |                                       |                                       |  |   |
| <b>LIABILITIES:</b>                  |                      |                                       |                                       |  |   |
| Accounts payable                     | \$ 923,363           | \$ 735,563                            | \$ 1,654,793                          | \$ 138,494   | \$ 3,452,213                            |
| Accrued salaries and related items   | 9,144,623            | -                                     | -                                     | -  | 9,144,623                               |
| Due to other funds                   | 283,703              | 3,803                                 | -                                     | 21,923   | 309,429                                 |
| Unearned revenue                     | 933,202              | -                                     | -                                     | 126,925  | 1,060,127                               |
| <b>TOTAL LIABILITIES</b>             | <u>11,284,891</u>    | <u>739,366</u>                        | <u>1,654,793</u>                      | <u>287,342</u>                                       | <u>13,966,392</u>                       |

The notes to the basic financial statements  
are an integral part of this statement.

|  | <b>General Fund</b>  | <b>2007 Capital projects fund</b> | <b>2008 Capital projects fund</b> | <b>Other nonmajor governmental funds</b> | <b>Total governmental funds</b> |
|--|----------------------|-----------------------------------|-----------------------------------|--|---------------------------------|
| <b>FUND BALANCES:</b>  |                      |                                   |                                   |  |                                 |
| Reserved for inventories   | \$ 35,081            | \$ -                              | \$ -                              | \$ 107,888                               | \$ 142,969                      |
| Reserved for prepaid expenditures  | 151,408              | -                                 | -                                 | -  | 151,408                         |
| Reserved for debt service  | -                    | -                                 | -                                 | 1,445,902                                | 1,445,902                       |
| Reserved for capital outlay  | -                    | 5,210,357                         | 26,368,297                        |  | 31,578,654                      |
| Unreserved:  |                      |                                   |                                   |  |                                 |
| Designated for curriculum development initiative   | 600,000              | -                                 | -                                 | -  | 600,000                         |
| Designated for building carryover  | 443,515              | -                                 | -                                 | -  | 443,515                         |
| Designated for department carryover  | 167,678              | -                                 | -                                 | -  | 167,678                         |
| Designated for severance pay   | 1,489,693            | -                                 | -                                 | -  | 1,489,693                       |
| Designated for budget stabilization  | 3,000,000            | -                                 | -                                 | -  | 3,000,000                       |
| Undesignated   | 6,347,500            | -                                 | -                                 | 1,848,981                                | 8,196,481                       |
| <b>TOTAL FUND BALANCES</b>   | <b>12,234,875</b>    | <b>5,210,357</b>                  | <b>26,368,297</b>                 | <b>3,402,771</b>                         | <b>47,216,300</b>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>   | <b>\$ 23,519,766</b> | <b>\$ 5,949,723</b>               | <b>\$ 28,023,090</b>              | <b>\$ 3,690,113</b>                      | <b>\$ 61,182,692</b>            |
| <b>Total governmental fund balances</b>  |                      |                                   |                                   |  | \$ 47,216,300                   |
| Amounts reported for governmental activities in the statement of net assets are different because:           |                      |                                   |                                   |  |                                 |
| Value of bond issuance costs   |                      |                                   |                                   | \$ 598,858                               |                                 |
| Accumulated amortization   |                      |                                   |                                   | (126,025)                                |                                 |
|  |                      |                                   |                                   |  | 472,833                         |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds |                      |                                   |                                   |  |                                 |
| The cost of the capital assets is  |                      |                                   |                                   | 186,855,858                              |                                 |
| Accumulated depreciation is  |                      |                                   |                                   | (64,994,227)                             |                                 |
|  |                      |                                   |                                   |  | 121,861,631                     |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds:       |                      |                                   |                                   |  |                                 |
| Bonds payable  |                      |                                   |                                   |  | (92,505,538)                    |
| Compensated absences and termination benefits  |                      |                                   |                                   |  | (1,489,693)                     |
| Accrued interest is not included as a liability in government funds, it is recorded when paid                |                      |                                   |                                   |  | (1,080,457)                     |
| Unearned revenue at June 30, 2008, expected to be collected after September 1, 2008                          |                      |                                   |                                   |  | 84,150                          |
| <b>Net assets of governmental activities</b>   |                      |                                   |                                   |  | <b>\$ 74,559,226</b>            |

The notes to the basic financial statements are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

|  | <u>General Fund</u> | <u>2005 Capital<br/>projects fund</u> | <u>2007 Capital<br/>projects fund</u> | <u>2008 Capital<br/>projects fund</u> | <u>Other<br/>nonmajor<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|--|---------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|---|
| <b>REVENUES:</b>                             |                     |                                       |                                       |                                       |  |   |
| Local sources:                               |                     |                                       |                                       |                                       |  |   |
| Property taxes                               | \$ 32,783,343       | \$ -                                  | \$ -                                  | \$ -                                  | \$ 12,516,946  | \$ 45,300,289                           |
| Tuition                                      | 37,575              | -                                     | -                                     | -                                     | 1,540,530  | 1,578,105                               |
| Investment earnings                          | 1,049,059           | 7,706                                 | 402,772                               | 26,777                                | 312,755  | 1,799,069                               |
| Food sales, athletics, and community service | -                   | -                                     | -                                     | -                                     | 2,471,223  | 2,471,223                               |
| Other  | 1,669,831           | -                                     | -                                     | -                                     | 1,051,057  | 2,720,888                               |
| Total local sources                          | 35,539,808          | 7,706                                 | 402,772                               | 26,777                                | 17,892,511   | 53,869,574                              |
| State sources                                | 46,091,897          | -                                     | -                                     | -                                     | 171,664  | 46,263,561                              |
| Federal sources                              | 3,390,072           | -                                     | -                                     | -                                     | 2,397,086  | 5,787,158                               |
| Incoming transfers and other                 | 2,046,771           | -                                     | -                                     | -                                     | -  | 2,046,771                               |
| Total revenues                               | 87,068,548          | 7,706                                 | 402,772                               | 26,777                                | 20,461,261   | 107,967,064                             |
| <b>EXPENDITURES:</b>                         |                     |                                       |                                       |                                       |  |   |
| Current:                                     |                     |                                       |                                       |                                       |  |   |
| Instruction                                  | 51,083,020          | -                                     | -                                     | -                                     | -  | 51,083,020                              |
| Supporting services                          | 34,223,429          | -                                     | -                                     | -                                     | -  | 34,223,429                              |
| Food service activities                      | -                   | -                                     | -                                     | -                                     | 4,692,092  | 4,692,092                               |
| Athletic activities                          | -                   | -                                     | -                                     | -                                     | 1,546,382  | 1,546,382                               |
| Community service activities                 | 422,708             | -                                     | -                                     | -                                     | 1,930,201  | 2,352,909                               |
| Outgoing transfers and other transactions    | 260,639             | -                                     | -                                     | -                                     | 269,355  | 529,994                                 |
| Capital outlay                               | -                   | 815,243                               | 4,779,849                             | 3,563,050                             | 754,096  | 9,912,238                               |

The notes to the basic financial statements  
are an integral part of this statement.

|  | <u>General Fund</u>  | <u>2005 Capital<br/>projects fund</u> | <u>2007 Capital<br/>projects fund</u> | <u>2008 Capital<br/>projects fund</u> | <u>Other<br/>nonmajor<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|--|----------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|---|
| <b>EXPENDITURES (Concluded):</b>                                     |                      |                                       |                                       |                                       |  |   |
| Debt service:  |                      |                                       |                                       |                                       |  |   |
| Principal repayment  | \$ -                 | \$ -                                  | \$ -                                  | \$ -                                  | \$ 10,480,000  | \$ 10,480,000                           |
| Interest   | -                    | -                                     | -                                     | -                                     | 3,086,480  | 3,086,480                               |
| Bond issuance costs  | -                    | -                                     | -                                     | 95,430                                | 169,922  | 265,352                                 |
| Other  | -                    | 82,648                                | -                                     | -                                     | 41,970   | 124,618                                 |
| Total expenditures   | <u>85,989,796</u>    | <u>897,891</u>                        | <u>4,779,849</u>                      | <u>3,658,480</u>                      | <u>22,970,498</u>                                    | <u>118,296,514</u>                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>1,078,752</u>     | <u>(890,185)</u>                      | <u>(4,377,077)</u>                    | <u>(3,631,703)</u>                    | <u>(2,509,237)</u>                                   | <u>(10,329,450)</u>                     |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                      |                                       |                                       |                                       |  |   |
| Proceeds from issuance of bonds                                      | -                    | -                                     | -                                     | 30,000,000                            | 27,535,000   | 57,535,000                              |
| Bond premium   | -                    | -                                     | -                                     | -                                     | 2,121,375  | 2,121,375                               |
| Payment to refunded bond escrow agent                                | -                    | -                                     | -                                     | -                                     | (29,553,038)   | (29,553,038)                            |
| Operating transfers from other funds                                 | 232,503              | -                                     | -                                     | -                                     | 1,737,247  | 1,969,750                               |
| Operating transfers to other funds                                   | (1,700,087)          | -                                     | -                                     | -                                     | (269,663)  | (1,969,750)                             |
| Total other financing sources (uses)                                 | <u>(1,467,584)</u>   | <u>-</u>                              | <u>-</u>                              | <u>30,000,000</u>                     | <u>1,570,921</u>                                     | <u>30,103,337</u>                       |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <u>(388,832)</u>     | <u>(890,185)</u>                      | <u>(4,377,077)</u>                    | <u>26,368,297</u>                     | <u>(938,316)</u>                                     | <u>19,773,887</u>                       |
| <b>FUND BALANCES:</b>  |                      |                                       |                                       |                                       |  |   |
| Beginning of year  | <u>12,623,707</u>    | <u>890,185</u>                        | <u>9,587,434</u>                      | <u>-</u>                              | <u>4,341,087</u>                                     | <u>27,442,413</u>                       |
| End of year  | <u>\$ 12,234,875</u> | <u>\$ -</u>                           | <u>\$ 5,210,357</u>                   | <u>\$ 26,368,297</u>                  | <u>\$ 3,402,771</u>                                  | <u>\$ 47,216,300</u>                    |

The notes to the basic financial statements  
are an integral part of this statement.



**TRAVERSE CITY AREA PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

|   |                      |
|---|----------------------|
| <b>Net change in fund balances total governmental funds</b>   | <b>\$ 19,773,887</b> |
| Amounts reported for governmental activities in the statement of activities are different because:  |                      |
| Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.  |                      |
| Depreciation expense  | (4,992,698)          |
| Capital outlay  | 9,726,207            |
| Loss on disposal of capital assets  | (3,367)              |
| Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:  |                      |
| Accrued interest payable, beginning of the year   | 689,565              |
| Accrued interest payable, end of the year   | (1,080,457)          |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows: |                      |
| Proceeds from issuance of bonds   | (57,535,000)         |
| Payments on debt  | 40,033,038           |
| Bond issuance costs   | 265,352              |
| Premium on issuance of bonds  | (2,121,375)          |
| Deferred amount on bond refunding   | -                    |
| Amortization of bond issuance costs   | (40,167)             |
| Amortization of deferred loss on refunding  | (66,516)             |
| Amortization of bond premium  | 89,842               |
| Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:   |                      |
| Unearned revenue, beginning of the year   | (85,366)             |
| Unearned revenue, end of the year   | 84,150               |
| Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:   |                      |
| Accrued compensated absences and termination benefits, beginning of the year  | 1,500,465            |
| Accrued compensated absences and termination benefits, end of the year  | (1,489,693)          |
| <b>Change in net assets of governmental activities</b>  | <b>\$ 4,747,867</b>  |

The notes to the basic financial statements  
are an integral part of this statement.

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2008**

|                                 | <u>Agency fund</u>          |
|---------------------------------|-----------------------------|
| <b>ASSETS:</b>                  |                             |
| Cash                            | <u><u>\$    956,251</u></u> |
| <br><b>LIABILITIES:</b>         |                             |
| Due to student and other groups | <u><u>\$    956,251</u></u> |

The notes to the basic financial statements  
are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Traverse City Area Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The Traverse City Area Public Schools (the "District") is governed by the Traverse City Area Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *2005, 2007 and 2008 capital projects* fund accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Concluded)**

The following is a summary of the revenue and expenditures for the 2005, 2007 and 2008 school bonds' activity:

|                            | <u>2005 bonds</u>    | <u>2007 bonds</u>   | <u>2008 bonds</u>   |
|----------------------------|----------------------|---------------------|---------------------|
| Revenue                    | <u>\$ 511,376</u>    | <u>\$ 615,022</u>   | <u>\$ 26,777</u>    |
| Expenditures and transfers | <u>\$ 11,511,376</u> | <u>\$ 5,274,665</u> | <u>\$ 3,658,480</u> |

The above revenue figures do not include original 2005, 2007 and 2008 school bond proceeds of \$11,000,000, \$9,870,000, and \$30,000,000, respectively.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community services and athletic activities in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 1998, 2001, 2004, 2005, 2007, 2008, 2004 refunding, 2005 refunding and 2008 refunding bond issues.

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund for the acquisition of fixed assets or construction of major capital projects.

**Fiduciary Funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Revenue (Concluded)**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and cash equivalents include amounts in demand deposits and money market accounts.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

| Fund  | Mills   |
|---|---------|
| General Fund - Non-homestead                    | 18.0000 |
| Debt service fund - Homestead and non-homestead | 3.1000  |

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as deferred revenue. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

|                               |              |
|-------------------------------|--------------|
| Buildings and additions       | 50 years     |
| Furniture and other equipment | 5 - 15 years |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case by case basis.

6. Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and major special revenue funds. All annual appropriations lapse at year end. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent year. There were no material outstanding encumbrances at year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and major special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2008 the District had the following investments:

| <b>Investment Type</b>                 | <b>Fair value</b>    | <b>Weighted<br/>average<br/>maturity<br/>(years)</b> | <b>Standard<br/>&amp; Poor's<br/>Rating</b> | <b>%</b>      |
|--|----------------------|--|---|---------------|
| MILAF External Investment pool - MIMAX | \$ 357,928           | 0.0027   | AAAm  | 1.22%         |
| MBIA External Investment pool - CLASS  | 508,134              | 0.0027   | AAA   | 1.73%         |
| U.S. Agency Notes and Bonds            | 23,102,414           | 0.5850   | AAA   | 78.70%        |
| U.S. Treasury Bills                    | 1,713,277            | 0.0252   | AAA   | 5.84%         |
| U.S. Treasury Notes                    | 3,674,048            | 0.9572   | AAA   | 12.52%        |
| Total fair value                       | <u>\$ 29,355,801</u> |  |   | <u>100.0%</u> |
| Portfolio weighted average maturity    |                      | <u>0.4927</u>  |   |               |

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF), and the MBIA Class fund. These are external pooled investment funds of "qualified" investments for Michigan school districts. MILAF and MBIA are not regulated nor are they registered with the SEC. MILAF and MBIA report as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District will take steps to ensure that no more than 40% of its funds are invested in the same investment pool or held by the same bank.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$22,651,670 of the District's bank balance of \$23,151,670 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

At June 30, 2008, the carrying amount is as follows:

|   |                             |
|---|-----------------------------|
| Deposits - including fiduciary funds of \$956,251 | \$ 22,189,011               |
| Investments                                       | <u>29,355,801</u>           |
|   | <u><u>\$ 51,544,812</u></u> |

The above amounts are reported in the financial statements as follows:

|   |                             |
|---|-----------------------------|
| Cash Agency fund                          | \$ 956,251                  |
| Government wide:                          |                             |
| Cash                                      | 12,634,089                  |
| Restricted cash - capital projects        | 5,394,933                   |
| Investments                               | 4,069,800                   |
| Restricted investments - capital projects | <u>28,489,739</u>           |
|   | <u><u>\$ 51,544,812</u></u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

|                                       | Balance<br>July 1, 2007 | Additions            | Reclassifications/<br>deletions | Balance<br>June 30, 2008 |
|---------------------------------------|-------------------------|----------------------|---------------------------------|--------------------------|
| Capital assets not being depreciated: |                         |                      |                                 |                          |
| Land                                  | \$ 3,171,600            | \$ -                 | \$ -                            | \$ 3,171,600             |
| Construction in progress              | 6,282,565               | 5,347,392            | 6,382,460                       | 5,247,497                |
|                                       | <u>9,454,165</u>        | <u>5,347,392</u>     | <u>6,382,460</u>                | <u>8,419,097</u>         |
| Capital assets being depreciated:     |                         |                      |                                 |                          |
| Land improvements                     | 1,867,569               | 33,577               | -                               | 1,901,146                |
| Buildings and additions               | 146,519,371             | 6,607,308            | -                               | 153,126,679              |
| Machinery and equipment               | 12,134,439              | 2,514,285            | -                               | 14,648,724               |
| Transportation equipment              | 7,877,579               | 1,606,105            | 723,472                         | 8,760,212                |
|                                       | <u>168,398,958</u>      | <u>10,761,275</u>    | <u>723,472</u>                  | <u>178,436,761</u>       |
| Subtotal                              |                         |                      |                                 |                          |
|                                       | <u>168,398,958</u>      | <u>10,761,275</u>    | <u>723,472</u>                  | <u>178,436,761</u>       |
| Less accumulated depreciation:        |                         |                      |                                 |                          |
| Land improvements                     | 661,532                 | 83,542               | -                               | 745,074                  |
| Buildings and additions               | 47,224,615              | 3,101,322            | -                               | 50,325,937               |
| Machinery and equipment               | 7,130,280               | 1,235,151            | -                               | 8,365,431                |
| Transportation equipment              | 5,705,207               | 572,683              | 720,105                         | 5,557,785                |
|                                       | <u>60,721,634</u>       | <u>4,992,698</u>     | <u>720,105</u>                  | <u>64,994,227</u>        |
| Net capital assets                    | <u>\$ 117,131,489</u>   | <u>\$ 11,115,969</u> | <u>\$ 6,385,827</u>             | <u>\$ 121,861,631</u>    |

Depreciation for the fiscal year ended June 30, 2008 amounted to \$4,992,698.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CAPITAL ASSETS (Concluded)**

Depreciation expense was charged to programs of the government as follows:

|                              |                            |
|------------------------------|----------------------------|
| Instructional                | \$ 41,353                  |
| Support service              | 1,483,018                  |
| Athletics                    | 35,837                     |
| Food service                 | 4,995                      |
| Community service            | 4,471                      |
| Outgoing transfers and other | 342,551                    |
| Unallocated                  | <u>3,080,473</u>           |
|                              | <u><u>\$ 4,992,698</u></u> |

Depreciation of capital assets that serve multiple functions is recorded as unallocated.

**NOTE 5 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008:

|                          | Accumulated<br>compensated<br>absences | Accumulated<br>termination<br>benefits | Bonds and<br>other debt     | Total                       |
|--------------------------|--|--|-----------------------------|-----------------------------|
| Balance, July 1, 2007    | \$ 296,000                             | \$ 1,204,465                           | \$ 72,905,527               | \$ 74,405,992               |
| Additions                | 3,000                                  | -                                      | 59,939,853                  | 59,942,853                  |
| Deletions                | <u>-</u>                               | <u>13,772</u>                          | <u>40,339,842</u>           | <u>40,353,614</u>           |
| Balance, June 30, 2008   | 299,000                                | 1,190,693                              | 92,505,538                  | 93,995,231                  |
| Less current portion     | <u>299,000</u>                         | <u>230,849</u>                         | <u>8,760,771</u>            | <u>9,290,620</u>            |
| Total due after one year | <u><u>\$ -</u></u>                     | <u><u>\$ 959,844</u></u>               | <u><u>\$ 83,744,767</u></u> | <u><u>\$ 84,704,611</u></u> |



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 5 - LONG-TERM DEBT (Continued)**

Bonds payable at June 30, 2008 is comprised of the following issues:

|  |                             |
|--|-----------------------------|
| 2001 school building and site bonds due in annual installments of \$800,000 to \$825,000 through May 1, 2014, with interest at 3.75% to 4.40%.   | \$ 4,900,000                |
| 2004 school building and site bonds due in annual installments of \$275,000 through May 1, 2014, with interest at 3.50% to 4.10%.  | 1,650,000                   |
| 2004 refunding bonds due in annual installment of \$1,840,000 through May 1, 2009, with interest at 2.50% to 2.75%.  | 1,840,000                   |
| 2005 school building and site bonds due in annual installments of \$800,000 to \$975,000 through May 1, 2015, with interest at 3.00% to 4.00%.   | 6,225,000                   |
| 2005 refunding bonds due in annual installments of \$940,000 to \$1,245,000 through May 1, 2017, with interest at 3.00% to 5.00%.  | 10,455,000                  |
| 2007 school building and site bonds due in annual installments of \$675,000 to \$750,000 through May 1, 2017, with interest at 3.75% to 4.00%.   | 6,385,000                   |
| 2008 school building and site bonds due in annual installments of \$1,600,000 to \$3,550,000 through May 1, 2018, with interest at 3.00% to 3.75%.   | 30,000,000                  |
| 2008 refunding bonds due in annual installments of \$1,750,000 to \$2,475,000 through May 1, 2020, with interest at 4.00% to 5.00%.  | 27,535,000                  |
| Plus: premiums on bond issuance, net of amortization   | 2,756,423                   |
| Less: deferred losses on bond refundings, net of amortization  | <u>(97,836)</u>             |
| Total general obligation bonded debt   | 91,648,587                  |
| 1998 limited obligation bonds (Durant bonds) due in annual installments of \$80,771 to \$501,432 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security. | 856,951                     |
| Other accrued benefits:  |                             |
| Obligation under contract for compensated absences   | 299,000                     |
| Obligation under contract for termination benefits - severance   | <u>1,190,693</u>            |
| Total general long term debt   | <u><u>\$ 93,995,231</u></u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 5 - LONG-TERM DEBT (Continued)**

The District records a liability for compensated absences and other retirement commitments based on individual contracts.

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

On December 10, 2007, Traverse City Area Public Schools issued general obligation bonds of \$27,535,000 with an interest rate ranging from 4.0% to 5.0% to advance refund refunding bonds with an interest rate ranging from 4.35% to 5.0%. The refunding bonds mature on May 1, 2020. The general obligation bonds were issued at a premium after paying issuance costs of \$169,922, the net proceeds were \$30,513,981. The net proceeds from the issuance for the general obligation bond were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance defeasance and the term bonds were removed from the District's government-wide financial statements. The reacquisition price was less than the net carrying amount of the old debt by \$216,962.

As a result of the advance refunding, the District reduced its total debt service requirements by \$2,817,426 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,757,426.

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earning from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2008, \$73,095,000 of bonds outstanding are considered defeased.

At June 30, 2008, \$1,445,902 is available to service the general obligation debt.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 5 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize debt outstanding as of June 30, 2008, including interest payments of \$21,106,893 are as follows:

| Year ending June 30,              | Principal            | Interest             | Amounts payable       |
|-----------------------------------|----------------------|----------------------|-----------------------|
| 2009                              | \$ 8,760,771         | \$ 3,902,792         | \$ 12,663,563         |
| 2010                              | 9,929,612            | 3,294,654            | 13,224,266            |
| 2011                              | 9,806,432            | 3,118,590            | 12,925,022            |
| 2012                              | 9,442,858            | 2,606,215            | 12,049,073            |
| 2013                              | 9,487,278            | 2,232,582            | 11,719,860            |
| 2014-2018                         | 37,925,000           | 5,615,560            | 43,540,560            |
| 2019-2020                         | 4,495,000            | 336,500              | 4,831,500             |
|                                   | <u>89,846,951</u>    | <u>21,106,893</u>    | <u>110,953,844</u>    |
| Premium on bond issuance          | 2,756,423            | -                    | 2,756,423             |
| Deferred amount on bond refunding | (97,836)             | -                    | (97,836)              |
| Compensated absences              | 299,000              | -                    | 299,000               |
| Termination benefits              | 1,190,693            | -                    | 1,190,693             |
|                                   | <u>\$ 93,995,231</u> | <u>\$ 21,106,893</u> | <u>\$ 115,102,124</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

Interfund payable and receivable balances at June 30, 2008 are as follows:

| Payable fund                |                   | Receivable fund             |                   |
|-----------------------------|-------------------|-----------------------------|-------------------|
| General                     | \$ 283,703        | Other nonmajor governmental | \$ 229,377        |
| 2007 Capital projects       | 3,803             | General                     | 80,052            |
| Other nonmajor governmental | 21,923            |                             |                   |
|                             | <u>\$ 309,429</u> |                             | <u>\$ 309,429</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Continued**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)**

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$9,034,905, \$9,316,459 and \$8,605,011, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash basis disbursement basis by the employers. The System has contracted to provide comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement or other post-employment benefits which are the responsibility of the State of Michigan.

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**Concluded**

**NOTE 9 - CONTINGENCIES**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**NOTE 10 - INTERFUND TRANSFERS**

The general fund transferred \$1,270,481 to the athletic fund, \$29,606 to the community services fund, and \$400,000 to the 2006 capital projects fund. The community service fund transferred \$232,503 to the general fund, and the general capital projects funds transferred \$37,160 to the 2006 capital projects fund for the reimbursement of expenditures paid by the other funds.

The transfers from the general fund to the athletic fund and community services fund were used to fund operations and the transfer to the capital projects fund was for the acquisition of fixed assets or construction of major capital projects.

**NOTE 11 - COMMITMENTS**

The District has active capital projects outstanding at June 30, 2008. Approximately \$31,580,000 is committed and recorded as fund balance in the 2007 and 2008 capital projects funds.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

|  | <b>Original<br/>budget</b> | <b>Final<br/>budget</b> | <b>Actual</b>    | <b>Variance with<br/>final budget-<br/>positive<br/>(negative)</b> |
|--|----------------------------|-------------------------|------------------|--|
| <b>REVENUES:</b>   |                            |                         |                  |  |
| Local sources  | \$ 33,560,581              | \$ 35,606,268           | \$ 35,539,808    | \$ (66,460)  |
| State sources  | 48,861,680                 | 46,765,936              | 46,091,897       | (674,039)  |
| Federal sources  | 1,917,512                  | 4,024,186               | 3,390,072        | (634,114)  |
| Incoming transfers and other   | 1,547,020                  | 2,196,668               | 2,046,771        | (149,897)  |
| Total revenues   | 85,886,793                 | 88,593,058              | 87,068,548       | (1,524,510)  |
| <b>EXPENDITURES:</b>   |                            |                         |                  |  |
| Current:   |                            |                         |                  |  |
| Instruction:   |                            |                         |                  |  |
| Basic programs   | 42,926,336                 | 42,693,673              | 42,179,355       | 514,318  |
| Added needs  | 9,792,671                  | 9,850,809               | 8,903,665        | 947,144  |
| Total instruction  | 52,719,007                 | 52,544,482              | 51,083,020       | 1,461,462  |
| Supporting services:   |                            |                         |                  |  |
| Pupil  | 3,299,858                  | 3,583,915               | 3,502,582        | 81,333   |
| Instructional staff  | 3,519,950                  | 4,832,053               | 4,452,116        | 379,937  |
| General administration   | 609,094                    | 659,540                 | 640,078          | 19,462   |
| School administration  | 5,756,898                  | 5,906,369               | 5,912,806        | (6,437)  |
| Business   | 1,820,256                  | 1,668,137               | 1,588,035        | 80,102   |
| Operation/maintenance  | 8,668,198                  | 8,610,649               | 8,316,398        | 294,251  |
| Pupil transportation   | 6,528,487                  | 6,744,952               | 6,710,025        | 34,927   |
| Central  | 2,501,443                  | 2,783,969               | 2,685,465        | 98,504   |
| Other  | 344,084                    | 418,069                 | 415,924          | 2,145  |
| Total supporting services  | 33,048,268                 | 35,207,653              | 34,223,429       | 984,224  |
| Community service activities   | 285,396                    | 579,783                 | 422,708          | 157,075  |
| Outgoing transfers and other transactions                            | 3,500                      | 488,842                 | 260,639          | 228,203  |
| Total expenditures   | 86,056,171                 | 88,820,760              | 85,989,796       | 2,830,964  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(169,378)</b>           | <b>(227,702)</b>        | <b>1,078,752</b> | <b>1,306,454</b>   |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                            |                         |                  |  |
| Operating transfers from other funds                                 | 228,958                    | 234,870                 | 232,503          | (2,367)  |
| Operating transfers to other funds                                   | (1,605,045)                | (1,716,883)             | (1,700,087)      | 16,796   |
| Total other financing uses   | (1,376,087)                | (1,482,013)             | (1,467,584)      | 14,429   |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <b>\$ (1,545,465)</b>      | <b>\$ (1,709,715)</b>   | <b>(388,832)</b> | <b>\$ 1,320,883</b>  |
| <b>FUND BALANCE:</b>   |                            |                         |                  |  |
| Beginning of year  |                            |                         | 12,623,707       |  |
| End of year  |                            |                         | \$ 12,234,875    |  |



## **ADDITIONAL INFORMATION**

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30, 2008**

|  | <b>Final<br/>budget</b> | <b>Actual</b>        | <b>Variance with<br/>final budget-<br/>positive<br/>(negative)</b> |
|--|-------------------------|----------------------|--|
| <b>LOCAL SOURCES:</b>                                      |                         |                      |  |
| Property taxes   | \$ 32,919,521           | \$ 32,783,343        | \$ (136,178)   |
| Tuition  | 41,116                  | 37,575               | (3,541)  |
| Investment earnings  | 1,025,000               | 1,049,059            | 24,059   |
| Other local revenue  | 1,620,631               | 1,669,831            | 49,200   |
| <b>TOTAL LOCAL SOURCES</b>                                 | <b>35,606,268</b>       | <b>35,539,808</b>    | <b>(66,460)</b>  |
| <b>STATE SOURCES:</b>                                      |                         |                      |  |
| Foundation grant   | 41,203,640              | 41,233,405           | 29,765   |
| Special education  | 3,023,044               | 3,023,043            | (1)  |
| At risk  | 1,836,629               | 1,231,094            | (605,535)  |
| Other state revenue  | 702,623                 | 604,355              | (98,268)   |
| <b>TOTAL STATE SOURCES</b>                                 | <b>46,765,936</b>       | <b>46,091,897</b>    | <b>(674,039)</b>   |
| <b>FEDERAL SOURCES:</b>                                    |                         |                      |  |
| Title I  | 1,479,189               | 1,294,288            | (184,901)  |
| Title II - improving teacher quality                       | 550,705                 | 550,705              | -  |
| Drug-free schools and communities                          | 52,058                  | 41,817               | (10,241)   |
| Other federal revenue                                      | 1,942,234               | 1,503,262            | (438,972)  |
| <b>TOTAL FEDERAL SOURCES</b>                               | <b>4,024,186</b>        | <b>3,390,072</b>     | <b>(634,114)</b>   |
| <b>INCOMING TRANSFERS AND<br/>OTHER TRANSACTIONS:</b>      |                         |                      |  |
| Special education  | 1,864,111               | 1,791,410            | (72,701)   |
| Other  | 332,557                 | 255,361              | (77,196)   |
| <b>TOTAL INCOMING TRANSFERS AND<br/>OTHER TRANSACTIONS</b> | <b>2,196,668</b>        | <b>2,046,771</b>     | <b>(149,897)</b>   |
| <b>TOTAL REVENUES</b>                                      | <b>88,593,058</b>       | <b>87,068,548</b>    | <b>(1,524,510)</b>   |
| <b>OTHER FINANCING SOURCES:</b>                            |                         |                      |  |
| Operating transfers  | 234,870                 | 232,503              | (2,367)  |
| <b>TOTAL REVENUES AND<br/>OTHER FINANCING SOURCES</b>      | <b>\$ 88,827,928</b>    | <b>\$ 87,301,051</b> | <b>\$ (1,526,877)</b>  |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
YEAR ENDED JUNE 30, 2008**

|                        | <u>Final<br/>budget</u> | <u>Actual</u>     | <u>Variance with<br/>final budget-<br/>positive<br/>(negative)</u> |
|------------------------|-------------------------|-------------------|--|
| <b>INSTRUCTION:</b>    |                         |                   |  |
| Basic programs:        |                         |                   |  |
| Elementary:            |                         |                   |  |
| Salaries               | \$ 14,337,769           | \$ 14,313,317     | \$ 24,452  |
| Benefits               | 6,784,656               | 6,691,606         | 93,050   |
| Purchased services     | 189,066                 | 206,525           | (17,459)   |
| Supplies and materials | 426,594                 | 357,218           | 69,376   |
| Other expenses         | 19,594                  | 735               | 18,859   |
| Capital outlay         | 11,941                  | 9,264             | 2,677  |
| Total elementary       | <u>21,769,620</u>       | <u>21,578,665</u> | <u>190,955</u>   |
| Middle school:         |                         |                   |  |
| Salaries               | 6,802,334               | 6,782,168         | 20,166   |
| Benefits               | 3,160,794               | 3,131,436         | 29,358   |
| Purchased services     | 89,134                  | 97,894            | (8,760)  |
| Supplies and materials | 198,865                 | 145,255           | 53,610   |
| Capital outlay         | 114,882                 | 112,198           | 2,684  |
| Total middle school    | <u>10,366,009</u>       | <u>10,268,951</u> | <u>97,058</u>  |
| High school:           |                         |                   |  |
| Salaries               | 6,499,074               | 6,407,671         | 91,403   |
| Benefits               | 3,045,597               | 3,006,709         | 38,888   |
| Purchased services     | 199,849                 | 211,910           | (12,061)   |
| Supplies and materials | 298,768                 | 232,145           | 66,623   |
| Other expenses         | 26,215                  | 5,362             | 20,853   |
| Capital outlay         | 141,559                 | 139,030           | 2,529  |
| Total high school      | <u>10,211,062</u>       | <u>10,002,827</u> | <u>208,235</u>   |
| Pre-school:            |                         |                   |  |
| Salaries               | 171,028                 | 177,891           | (6,863)  |
| Benefits               | 95,703                  | 90,163            | 5,540  |
| Purchased services     | 36,500                  | 29,872            | 6,628  |
| Supplies and materials | 14,100                  | 15,229            | (1,129)  |
| Other expenses         | 15,755                  | 70                | 15,685   |
| Total pre-school       | <u>333,086</u>          | <u>313,225</u>    | <u>19,861</u>  |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

|                                 | <b>Final<br/>budget</b> | <b>Actual</b>     | <b>Variance with<br/>final budget<br/>positive<br/>(negative)</b> |
|---------------------------------|-------------------------|-------------------|---|
| <b>INSTRUCTION (Concluded):</b> |                         |                   |   |
| Summer school:                  |                         |                   |   |
| Salaries                        | \$ 10,571               | \$ 12,381         | \$ (1,810)  |
| Benefits                        | 2,575                   | 3,136             | (561)   |
| Purchased services              | 250                     | 170               | 80  |
| Supplies and materials          | 500                     | -                 | 500   |
| Total summer school             | <u>13,896</u>           | <u>15,687</u>     | <u>(1,791)</u>  |
| Total basic programs            | <u>42,693,673</u>       | <u>42,179,355</u> | <u>514,318</u>  |
| Added needs:                    |                         |                   |   |
| Special education:              |                         |                   |   |
| Salaries                        | 4,412,580               | 4,249,446         | 163,134   |
| Benefits                        | 2,159,431               | 2,068,720         | 90,711  |
| Purchased services              | -                       | 70                | (70)  |
| Supplies and materials          | 32,039                  | 17,213            | 14,826  |
| Other expenses                  | 4,196                   | 942               | 3,254   |
| Capital outlay                  | 10,000                  | 9,463             | 537   |
| Total special education         | <u>6,618,246</u>        | <u>6,345,854</u>  | <u>272,392</u>  |
| Compensatory education:         |                         |                   |   |
| Salaries                        | 1,523,434               | 1,321,322         | 202,112   |
| Benefits                        | 659,944                 | 603,936           | 56,008  |
| Purchased services              | 22,830                  | 32,609            | (9,779)   |
| Supplies and materials          | 261,844                 | 112,272           | 149,572   |
| Other expenses                  | 280,362                 | 68                | 280,294   |
| Capital outlay                  | -                       | 7,973             | (7,973)   |
| Total compensatory education    | <u>2,748,414</u>        | <u>2,078,180</u>  | <u>670,234</u>  |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

|                                 | <u>Final<br/>budget</u> | <u>Actual</u> | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|---------------------------------|-------------------------|---------------|---|
| <b>INSTRUCTION (Concluded):</b> |                         |               |   |
| Vocational education:           |                         |               |   |
| Salaries                        | \$ 283,765              | \$ 282,852    | \$ 913  |
| Benefits                        | 134,880                 | 134,427       | 453   |
| Purchased services              | 1,250                   | 2,150         | (900)   |
| Supplies and materials          | 46,671                  | 45,141        | 1,530   |
| Other expenses                  | 2,388                   | -             | 2,388   |
| Capital outlay                  | 15,195                  | 15,061        | 134   |
| Total vocational education      | 484,149                 | 479,631       | 4,518   |
| Total added needs               | 9,850,809               | 8,903,665     | 947,144   |
| <b>TOTAL INSTRUCTION</b>        | 52,544,482              | 51,083,020    | 1,461,462   |
| <b>SUPPORTING SERVICES:</b>     |                         |               |   |
| Pupil services:                 |                         |               |   |
| Salaries                        | 2,444,016               | 2,443,926     | 90  |
| Benefits                        | 1,057,842               | 1,008,211     | 49,631  |
| Purchased services              | 42,954                  | 20,427        | 22,527  |
| Supplies and materials          | 34,525                  | 23,821        | 10,704  |
| Other expenses                  | 328                     | 2,159         | (1,831)   |
| Capital outlay                  | 4,250                   | 4,038         | 212   |
| Total pupil services            | 3,583,915               | 3,502,582     | 81,333  |
| Instructional staff:            |                         |               |   |
| Salaries                        | 2,556,927               | 2,539,997     | 16,930  |
| Benefits                        | 987,597                 | 966,841       | 20,756  |
| Purchased services              | 939,236                 | 686,225       | 253,011   |
| Supplies and materials          | 249,540                 | 200,618       | 48,922  |
| Other expenses                  | 44,986                  | 17,332        | 27,654  |
| Capital outlay                  | 53,767                  | 41,103        | 12,664  |
| Total instructional staff       | 4,832,053               | 4,452,116     | 379,937   |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

|  | <u>Final<br/>budget</u> | <u>Actual</u>    | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|--|-------------------------|------------------|---|
| <b>SUPPORTING SERVICES (Continued) :</b> |                         |                  |   |
| General administration:                  |                         |                  |   |
| Salaries                                 | \$ 256,915              | \$ 270,856       | \$ (13,941)   |
| Benefits                                 | 93,691                  | 91,090           | 2,601   |
| Purchased services                       | 217,954                 | 191,759          | 26,195  |
| Supplies and materials                   | 13,684                  | 9,584            | 4,100   |
| Other expenses                           | 75,996                  | 76,281           | (285)   |
| Capital outlay                           | 1,300                   | 508              | 792   |
| Total general administration             | <u>659,540</u>          | <u>640,078</u>   | <u>19,462</u>   |
| School administration:                   |                         |                  |   |
| Salaries                                 | 4,003,012               | 4,067,319        | (64,307)  |
| Benefits                                 | 1,711,809               | 1,675,946        | 35,863  |
| Purchased services                       | 141,939                 | 132,175          | 9,764   |
| Supplies and materials                   | 25,609                  | 21,284           | 4,325   |
| Other expenses                           | 24,000                  | 16,082           | 7,918   |
| Total school administration              | <u>5,906,369</u>        | <u>5,912,806</u> | <u>(6,437)</u>  |
| Business services:                       |                         |                  |   |
| Salaries                                 | 837,534                 | 817,462          | 20,072  |
| Benefits                                 | 404,620                 | 378,238          | 26,382  |
| Purchased services                       | 203,254                 | 179,884          | 23,370  |
| Supplies and materials                   | 86,541                  | 71,022           | 15,519  |
| Other expenses                           | 124,402                 | 136,492          | (12,090)  |
| Capital outlay                           | 11,786                  | 4,937            | 6,849   |
| Total business services                  | <u>1,668,137</u>        | <u>1,588,035</u> | <u>80,102</u>   |
| Operations and maintenance:              |                         |                  |   |
| Salaries                                 | 3,165,053               | 3,097,953        | 67,100  |
| Benefits                                 | 1,635,898               | 1,558,664        | 77,234  |
| Purchased services                       | 1,453,705               | 1,407,091        | 46,614  |
| Supplies and materials                   | 2,312,391               | 2,226,643        | 85,748  |
| Other expenses                           | 10,920                  | 6,440            | 4,480   |
| Capital outlay                           | 32,682                  | 19,607           | 13,075  |
| Total operations and maintenance         | <u>8,610,649</u>        | <u>8,316,398</u> | <u>294,251</u>  |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

|   | <b>Final<br/>budget</b> | <b>Actual</b>     | <b>Variance with<br/>final budget<br/>positive<br/>(negative)</b> |
|---|-------------------------|-------------------|---|
| <b>SUPPORTING SERVICES (Concluded):</b> |                         |                   |   |
| Transportation:                         |                         |                   |   |
| Salaries                                | \$ 3,093,505            | \$ 3,076,777      | \$ 16,728   |
| Benefits                                | 1,932,837               | 1,905,309         | 27,528  |
| Purchased services                      | 448,403                 | 384,607           | 63,796  |
| Supplies and materials                  | 1,163,230               | 1,221,214         | (57,984)  |
| Other expenses                          | 11,015                  | 10,431            | 584   |
| Capital outlay                          | 95,962                  | 111,687           | (15,725)  |
| Total transportation                    | <u>6,744,952</u>        | <u>6,710,025</u>  | <u>34,927</u>   |
| Central services:                       |                         |                   |   |
| Salaries                                | 1,432,292               | 1,343,425         | 88,867  |
| Benefits                                | 627,585                 | 595,563           | 32,022  |
| Purchased services                      | 469,735                 | 513,310           | (43,575)  |
| Supplies and materials                  | 188,052                 | 169,287           | 18,765  |
| Other expenses                          | 14,208                  | 11,766            | 2,442   |
| Capital outlay                          | 52,097                  | 52,114            | (17)  |
| Total central services                  | <u>2,783,969</u>        | <u>2,685,465</u>  | <u>98,504</u>   |
| Other support services:                 |                         |                   |   |
| Salaries                                | 237,530                 | 241,012           | (3,482)   |
| Benefits                                | 59,718                  | 53,302            | 6,416   |
| Purchased services                      | 109,429                 | 106,570           | 2,859   |
| Supplies and materials                  | 3,266                   | 7,493             | (4,227)   |
| Other expenses                          | 7,503                   | 7,205             | 298   |
| Capital outlay                          | 623                     | 342               | 281   |
| Total other support services            | <u>418,069</u>          | <u>415,924</u>    | <u>2,145</u>  |
| <b>TOTAL SUPPORTING SERVICES</b>        | <u>35,207,653</u>       | <u>34,223,429</u> | <u>984,224</u>  |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
YEAR ENDED JUNE 30, 2008  
(Concluded)**

|  | <b>Final<br/>budget</b>     | <b>Actual</b>               | <b>Variance with<br/>final budget<br/>positive<br/>(negative)</b> |
|--|-----------------------------|-----------------------------|---|
| <b>COMMUNITY SERVICES:</b>                                 |                             |                             |   |
| Salaries   | \$ 225,572                  | \$ 205,793                  | \$ 19,779   |
| Benefits   | 114,571                     | 101,625                     | 12,946  |
| Purchased services   | 63,783                      | 51,418                      | 12,365  |
| Supplies and materials                                     | 52,994                      | 30,220                      | 22,774  |
| Other expenses   | 34,989                      | 16,017                      | 18,972  |
| Capital outlay   | 87,874                      | 17,635                      | 70,239  |
| <b>TOTAL COMMUNITY SERVICES</b>                            | <u>579,783</u>              | <u>422,708</u>              | <u>157,075</u>  |
| <b>OUTGOING TRANSFERS AND OTHER TRANSACTIONS:</b>          |                             |                             |   |
| Payments to other governmental units                       | 472,822                     | 260,639                     | 212,183   |
| Capital outlay   | 16,020                      | -                           | 16,020  |
| <b>TOTAL OUTGOING TRANSFERS AND OTHER<br/>TRANSACTIONS</b> | <u>488,842</u>              | <u>260,639</u>              | <u>228,203</u>  |
| <b>TOTAL EXPENDITURES</b>                                  | <u><u>\$ 88,820,760</u></u> | <u><u>\$ 85,989,796</u></u> | <u><u>\$ 2,830,964</u></u>  |



**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2008**

|  | <u>Special<br/>revenue</u> | <u>Debt<br/>service</u> | <u>Nonmajor<br/>capital<br/>projects</u> | <u>Total<br/>nonmajor<br/>governmental<br/>funds</u> |
|--|----------------------------|-------------------------|--|--|
| <b>ASSETS</b>                                  |                            |                         |  |  |
| <b>ASSETS:</b>                                 |                            |                         |  |  |
| Cash and cash equivalents                      | \$ 988,368                 | \$ 1,432,757            | \$ 449,177                               | \$ 2,870,302   |
| Accounts receivable                            | 78,500                     | -                       | 85,602                                   | 164,102  |
| Delinquent taxes receivable                    | -                          | 30,538                  | -  | 30,538   |
| Due from other governmental units              | 287,906                    | -                       | -  | 287,906  |
| Due from other funds                           | 198,351                    | 31,026                  | -  | 229,377  |
| Inventories                                    | 107,888                    | -                       | -  | 107,888  |
| <b>TOTAL ASSETS</b>                            | <u>\$ 1,661,013</u>        | <u>\$ 1,494,321</u>     | <u>\$ 534,779</u>                        | <u>\$ 3,690,113</u>                                  |
| <b>LIABILITIES AND FUND BALANCES</b>           |                            |                         |  |  |
| <b>LIABILITIES:</b>                            |                            |                         |  |  |
| Accounts payable                               | \$ 39,209                  | \$ -                    | \$ 99,285                                | \$ 138,494   |
| Due to other funds                             | -                          | 21,923                  | -  | 21,923   |
| Unearned revenue                               | 50,429                     | 26,496                  | 50,000                                   | 126,925  |
| <b>TOTAL LIABILITIES</b>                       | <u>89,638</u>              | <u>48,419</u>           | <u>149,285</u>                           | <u>287,342</u>                                       |
| <b>FUND BALANCES:</b>                          |                            |                         |  |  |
| Reserved for inventories                       | 107,888                    | -                       | -  | 107,888  |
| Reserved for debt service                      | -                          | 1,445,902               | -  | 1,445,902  |
| Unreserved, undesignated                       | 1,463,487                  | -                       | 385,494                                  | 1,848,981  |
| <b>TOTAL FUND BALANCES</b>                     | <u>1,571,375</u>           | <u>1,445,902</u>        | <u>385,494</u>                           | <u>3,402,771</u>                                     |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$ 1,661,013</u>        | <u>\$ 1,494,321</u>     | <u>\$ 534,779</u>                        | <u>\$ 3,690,113</u>                                  |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2008**

|  | <b>Special<br/>revenue</b> | <b>Debt<br/>service</b> | <b>Nonmajor<br/>capital<br/>projects</b> | <b>Total<br/>nonmajor<br/>governmental<br/>funds</b> |
|--|----------------------------|-------------------------|--|--|
| <b>REVENUES:</b>                                     |                            |                         |  |  |
| Local sources:                                       |                            |                         |  |  |
| Property taxes                                       | \$ -                       | \$ 12,516,946           | \$ -                                     | \$ 12,516,946  |
| Investment earnings                                  | 33,382                     | 277,614                 | 1,759                                    | 312,755  |
| Food sales and admissions                            | 2,471,223                  | -                       | -  | 2,471,223  |
| Tuition  | 1,540,530                  | -                       | -  | 1,540,530  |
| Other  | 718,661                    | -                       | 332,396                                  | 1,051,057  |
| Total local sources                                  | 4,763,796                  | 12,794,560              | 334,155                                  | 17,892,511   |
| State sources  | 171,664                    | -                       | -  | 171,664  |
| Federal sources                                      | 2,397,086                  | -                       | -  | 2,397,086  |
| Total revenues                                       | 7,332,546                  | 12,794,560              | 334,155                                  | 20,461,261   |
| <b>EXPENDITURES:</b>                                 |                            |                         |  |  |
| Current:   |                            |                         |  |  |
| Food service activities                              | 4,692,092                  | -                       | -  | 4,692,092  |
| Athletic activities                                  | 1,546,382                  | -                       | -  | 1,546,382  |
| Community service activity                           | 1,930,201                  | -                       | -  | 1,930,201  |
| Outgoing transfers and other transactions            | 269,355                    | -                       | -  | 269,355  |
| Capital outlay                                       | 39,004                     | -                       | 715,092                                  | 754,096  |
| Debt service:  |                            |                         |  |  |
| Principal repayment                                  | -                          | 10,480,000              | -  | 10,480,000   |
| Interest expense                                     | -                          | 3,086,480               | -  | 3,086,480  |
| Bond issuance costs                                  | -                          | 169,922                 | -  | 169,922  |
| Other expense  | -                          | 41,970                  | -  | 41,970   |
| Total expenditures                                   | 8,477,034                  | 13,778,372              | 715,092                                  | 22,970,498   |
| <b>DEFICIENCY OF REVENUES<br/>UNDER EXPENDITURES</b> | (1,144,488)                | (983,812)               | (380,937)                                | (2,509,237)  |
| <b>OTHER FINANCING SOURCES (USES):</b>               |                            |                         |  |  |
| Proceeds from bond refunding                         | -                          | 27,535,000              | -  | 27,535,000   |
| Bond premium   | -                          | 2,121,375               | -  | 2,121,375  |
| Payment to refunded bond escrow agent                | -                          | (29,553,038)            | -  | (29,553,038)   |
| Operating transfers from other funds                 | 1,300,087                  | -                       | 437,160                                  | 1,737,247  |
| Operating transfers to other funds                   | (232,503)                  | -                       | (37,160)                                 | (269,663)  |
| Total other financing sources                        | 1,067,584                  | 103,337                 | 400,000                                  | 1,570,921  |
| <b>NET CHANGE IN FUND BALANCES</b>                   | (76,904)                   | (880,475)               | 19,063                                   | (938,316)  |
| <b>FUND BALANCES:</b>                                |                            |                         |  |  |
| Beginning of year                                    | 1,648,279                  | 2,326,377               | 366,431                                  | 4,341,087  |
| End of year  | \$ 1,571,375               | \$ 1,445,902            | \$ 385,494                               | \$ 3,402,771   |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2008**

|  | <b>Food<br/>Service</b> | <b>Athletic</b>  | <b>Community<br/>Service</b> | <b>Totals</b>       |
|--|-------------------------|------------------|------------------------------|---------------------|
| <b>ASSETS</b>                                  |                         |                  |                              |                     |
| <b>ASSETS:</b>                                 |                         |                  |                              |                     |
| Cash and cash equivalents                      | \$ 222,382              | \$ -             | \$ 765,986                   | \$ 988,368          |
| Accounts receivable                            | 44,287                  | 10,074           | 24,139                       | 78,500              |
| Due from other governmental units              | 77,553                  | -                | 210,353                      | 287,906             |
| Due from other funds                           | 198,351                 | -                | -                            | 198,351             |
| Inventories                                    | 107,888                 | -                | -                            | 107,888             |
| <b>TOTAL ASSETS</b>                            | <b>\$ 650,461</b>       | <b>\$ 10,074</b> | <b>\$ 1,000,478</b>          | <b>\$ 1,661,013</b> |
| <b>LIABILITIES AND FUND BALANCES</b>           |                         |                  |                              |                     |
| <b>LIABILITIES:</b>                            |                         |                  |                              |                     |
| Accounts payable                               | \$ 15,147               | \$ 10,074        | \$ 13,988                    | \$ 39,209           |
| Unearned revenue                               | 28,758                  | -                | 21,671                       | 50,429              |
| <b>TOTAL LIABILITIES</b>                       | <b>43,905</b>           | <b>10,074</b>    | <b>35,659</b>                | <b>89,638</b>       |
| <b>FUND BALANCES:</b>                          |                         |                  |                              |                     |
| Unreserved/reserved for inventories            | 107,888                 | -                | -                            | 107,888             |
| Undesignated                                   | 498,668                 | -                | 964,819                      | 1,463,487           |
| <b>TOTAL FUND BALANCES</b>                     | <b>606,556</b>          | <b>-</b>         | <b>964,819</b>               | <b>1,571,375</b>    |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 650,461</b>       | <b>\$ 10,074</b> | <b>\$ 1,000,478</b>          | <b>\$ 1,661,013</b> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2008**

|  | <b>Food<br/>Service</b> | <b>Athletic</b> | <b>Community<br/>Service</b> | <b>Totals</b> |
|--|-------------------------|-----------------|------------------------------|---------------|
| <b>REVENUES:</b>   |                         |                 |                              |               |
| Sales  | \$ 2,197,297            | \$ -            | \$ -                         | \$ 2,197,297  |
| Tuition  | -                       | -               | 1,540,530                    | 1,540,530     |
| State aid  | 171,664                 | -               | -                            | 171,664       |
| Federal aid  | 1,709,683               | -               | 687,403                      | 2,397,086     |
| Admissions   | -                       | 239,053         | 34,873                       | 273,926       |
| Investment earnings  | 33,382                  | -               | -                            | 33,382        |
| Other  | 567,894                 | 36,640          | 114,127                      | 718,661       |
| Total revenues   | 4,679,920               | 275,693         | 2,376,933                    | 7,332,546     |
| <b>EXPENDITURES:</b>   |                         |                 |                              |               |
| Salaries   | 1,418,376               | 812,260         | 1,179,459                    | 3,410,095     |
| Benefits   | 468,105                 | 228,446         | 548,970                      | 1,245,521     |
| Purchased services   | 114,910                 | 416,455         | 105,641                      | 637,006       |
| Supplies and materials   | 2,674,710               | 12,455          | 91,562                       | 2,778,727     |
| Capital outlay   | 13,446                  | 15,440          | 10,118                       | 39,004        |
| Other expenses   | 15,991                  | 76,766          | 4,569                        | 97,326        |
| Outgoing transfers and other transactions                            | -                       | -               | 269,355                      | 269,355       |
| Total expenditures   | 4,705,538               | 1,561,822       | 2,209,674                    | 8,477,034     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (25,618)                | (1,286,129)     | 167,259                      | (1,144,488)   |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                         |                 |                              |               |
| Operating transfers from other funds                                 | -                       | 1,270,481       | 29,606                       | 1,300,087     |
| Operating transfers to other funds                                   | -                       | -               | (232,503)                    | (232,503)     |
| Total other financing sources (uses)                                 | -                       | 1,270,481       | (202,897)                    | 1,067,584     |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | (25,618)                | (15,648)        | (35,638)                     | (76,904)      |
| <b>FUND BALANCES:</b>  |                         |                 |                              |               |
| Beginning of year  | 632,174                 | 15,648          | 1,000,457                    | 1,648,279     |
| End of year  | \$ 606,556              | \$ -            | \$ 964,819                   | \$ 1,571,375  |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2008**

|  | <u>1998</u>       | <u>2001</u>      | <u>2004</u>       | <u>2005</u>      | <u>2004<br/>Refunding</u> | <u>2005<br/>Refunding</u> | <u>2007</u>       | <u>2008</u>       | <u>2008<br/>Refunding</u> | <u>Total<br/>Nonmajor</u> |
|--|-------------------|------------------|-------------------|------------------|---------------------------|---------------------------|-------------------|-------------------|---------------------------|---------------------------|
| <b>ASSETS</b>                                  |                   |                  |                   |                  |                           |                           |                   |                   |                           |                           |
| <b>ASSETS:</b>                                 |                   |                  |                   |                  |                           |                           |                   |                   |                           |                           |
| Cash and cash equivalents                      | \$ 204,818        | \$ 84,574        | 190,259           | \$ 74,812        | \$ 221,289                | \$ 84,881                 | \$ 300,430        | \$ 268,378        | \$ 3,316                  | \$ 1,432,757              |
| Due from other governmental funds              | 6,103             | 1,747            | 7,104             | 1,400            | 4,794                     | 1,879                     | 7,999             | -                 | -                         | 31,026                    |
| Delinquent taxes receivable                    | -                 | -                | 30,538            | -                | -                         | -                         | -                 | -                 | -                         | 30,538                    |
|  | <u>-</u>          | <u>-</u>         | <u>30,538</u>     | <u>-</u>         | <u>-</u>                  | <u>-</u>                  | <u>-</u>          | <u>-</u>          | <u>-</u>                  | <u>30,538</u>             |
| <b>TOTAL ASSETS</b>                            | <u>\$ 210,921</u> | <u>\$ 86,321</u> | <u>\$ 227,901</u> | <u>\$ 76,212</u> | <u>\$ 226,083</u>         | <u>\$ 86,760</u>          | <u>\$ 308,429</u> | <u>\$ 268,378</u> | <u>\$ 3,316</u>           | <u>\$ 1,494,321</u>       |
| <b>LIABILITIES AND FUND BALANCES</b>           |                   |                  |                   |                  |                           |                           |                   |                   |                           |                           |
| <b>LIABILITIES:</b>                            |                   |                  |                   |                  |                           |                           |                   |                   |                           |                           |
| Unearned revenue                               | \$ -              | \$ -             | \$ 26,496         | \$ -             | \$ -                      | \$ -                      | \$ -              | \$ -              | \$ -                      | \$ 26,496                 |
| Due to other governmental funds                | -                 | -                | 21,923            | -                | -                         | -                         | -                 | -                 | -                         | 21,923                    |
|  | <u>-</u>          | <u>-</u>         | <u>21,923</u>     | <u>-</u>         | <u>-</u>                  | <u>-</u>                  | <u>-</u>          | <u>-</u>          | <u>-</u>                  | <u>21,923</u>             |
| <b>TOTAL LIABILITIES</b>                       | <u>-</u>          | <u>-</u>         | <u>48,419</u>     | <u>-</u>         | <u>-</u>                  | <u>-</u>                  | <u>-</u>          | <u>-</u>          | <u>-</u>                  | <u>48,419</u>             |
| <b>FUND BALANCES:</b>                          |                   |                  |                   |                  |                           |                           |                   |                   |                           |                           |
| Reserved for debt service                      | 210,921           | 86,321           | 179,482           | 76,212           | 226,083                   | 86,760                    | 308,429           | 268,378           | 3,316                     | 1,445,902                 |
|  | <u>210,921</u>    | <u>86,321</u>    | <u>179,482</u>    | <u>76,212</u>    | <u>226,083</u>            | <u>86,760</u>             | <u>308,429</u>    | <u>268,378</u>    | <u>3,316</u>              | <u>1,445,902</u>          |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$ 210,921</u> | <u>\$ 86,321</u> | <u>\$ 227,901</u> | <u>\$ 76,212</u> | <u>\$ 226,083</u>         | <u>\$ 86,760</u>          | <u>\$ 308,429</u> | <u>\$ 268,378</u> | <u>\$ 3,316</u>           | <u>\$ 1,494,321</u>       |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2008**

|  | <b>1998</b>      | <b>2001</b>      | <b>2004</b>      | <b>2005</b>      | <b>2004<br/>Refunding</b> | <b>2005<br/>Refunding</b> | <b>2007</b>    | <b>2008</b>    | <b>2008<br/>Refunding</b> | <b>Total<br/>Nonmajor</b> |
|--|------------------|------------------|------------------|------------------|---------------------------|---------------------------|----------------|----------------|---------------------------|---------------------------|
| <b>REVENUES:</b>   |                  |                  |                  |                  |                           |                           |                |                |                           |                           |
| Local sources:   |                  |                  |                  |                  |                           |                           |                |                |                           |                           |
| Property taxes   | \$ 3,385,968     | \$ 860,258       | \$ 148,953       | \$ 596,025       | \$ 2,434,510              | \$ 949,013                | \$ 4,142,219   | \$ -           | \$ -                      | \$ 12,516,946             |
| Interest   | 58,163           | 23,094           | 12,516           | 28,401           | 59,649                    | 21,614                    | 73,726         | 451            | -                         | 277,614                   |
| Total revenues   | 3,444,131        | 883,352          | 161,469          | 624,426          | 2,494,159                 | 970,627                   | 4,215,945      | 451            |                           | 12,794,560                |
| <b>EXPENDITURES:</b>   |                  |                  |                  |                  |                           |                           |                |                |                           |                           |
| Redemption of bonds  | 1,935,000        | 800,000          | 275,000          | 775,000          | 2,580,000                 | 630,000                   | 3,485,000      | -              | -                         | 10,480,000                |
| Interest on bonded debt  | 1,528,518        | 233,450          | 74,525           | 245,738          | 115,100                   | 470,888                   | 418,261        | -              | -                         | 3,086,480                 |
| Bond issuance costs  | -                | -                | -                | -                | -                         | -                         | -              | -              | 169,922                   | 169,922                   |
| Other  | 10,415           | 3,151            | 525              | 2,574            | 8,285                     | 3,372                     | 13,648         | -              | -                         | 41,970                    |
| Total expenditures   | 3,473,933        | 1,036,601        | 350,050          | 1,023,312        | 2,703,385                 | 1,104,260                 | 3,916,909      | -              | 169,922                   | 13,778,372                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(29,802)</b>  | <b>(153,249)</b> | <b>(188,581)</b> | <b>(398,886)</b> | <b>(209,226)</b>          | <b>(133,633)</b>          | <b>299,036</b> | <b>451</b>     | <b>(169,922)</b>          | <b>(983,812)</b>          |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                  |                  |                  |                  |                           |                           |                |                |                           |                           |
| Proceeds from bond refunding   | -                | -                | -                | -                | -                         | -                         | -              | -              | 27,535,000                | 27,535,000                |
| Bond premium   | -                | -                | -                | -                | -                         | -                         | -              | 267,927        | 1,853,448                 | 2,121,375                 |
| Payment to refunded bond escrow agent                                | (337,828)        | -                | -                | -                | -                         | -                         | -              | -              | (29,215,210)              | (29,553,038)              |
| Total other financing sources (uses)                                 | (337,828)        | -                | -                | -                | -                         | -                         | -              | 267,927        | 173,238                   | 103,337                   |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>(367,630)</b> | <b>(153,249)</b> | <b>(188,581)</b> | <b>(398,886)</b> | <b>(209,226)</b>          | <b>(133,633)</b>          | <b>299,036</b> | <b>268,378</b> | <b>3,316</b>              | <b>(880,475)</b>          |
| <b>FUND BALANCES:</b>  |                  |                  |                  |                  |                           |                           |                |                |                           |                           |
| Beginning of year  | 578,551          | 239,570          | 368,063          | 475,098          | 435,309                   | 220,393                   | 9,393          | -              | -                         | 2,326,377                 |
| End of year  | \$ 210,921       | \$ 86,321        | \$ 179,482       | \$ 76,212        | \$ 226,083                | \$ 86,760                 | \$ 308,429     | \$ 268,378     | \$ 3,316                  | \$ 1,445,902              |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2008**

|  | <u>Capital<br/>projects</u> | <u>2006<br/>Capital<br/>projects<br/>fund</u> | <u>Total<br/>Nonmajor<br/>Capital<br/>Projects</u> |
|--|-----------------------------|---|--|
| <b>ASSETS</b>                              |                             |   |  |
| Cash                                       | \$ 163,333                  | \$ 285,844                                    | \$ 449,177   |
| Accounts receivable                        | <u>85,602</u>               | <u>-</u>                                      | <u>85,602</u>                                      |
| <b>TOTAL ASSETS</b>                        | <u><u>\$ 248,935</u></u>    | <u><u>\$ 285,844</u></u>                      | <u><u>\$ 534,779</u></u>                           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                             |   |  |
| Liabilities:                               |                             |   |  |
| Accounts payable                           | \$ 53,696                   | \$ 45,589                                     | \$ 99,285  |
| Unearned revenue                           | <u>50,000</u>               | <u>-</u>                                      | <u>50,000</u>                                      |
| <b>TOTAL LIABILITIES</b>                   | <u>103,696</u>              | <u>45,589</u>                                 | <u>149,285</u>                                     |
| Fund balances:                             |                             |   |  |
| Unreserved, undesignated                   | <u>145,239</u>              | <u>240,255</u>                                | <u>385,494</u>                                     |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u><u>\$ 248,935</u></u>    | <u><u>\$ 285,844</u></u>                      | <u><u>\$ 534,779</u></u>                           |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 2008**

|  | <u>Capital<br/>projects</u> | <u>2004 Capital<br/>projects<br/>fund</u> | <u>2006 Capital<br/>projects<br/>fund</u> | <u>Total<br/>Nonmajor<br/>Capital<br/>Projects</u> |
|--|-----------------------------|---|---|--|
| <b>REVENUE:</b>  |                             |   |   |  |
| Other local revenue  | \$ 332,396                  | \$ -                                      | \$ -                                      | \$ 332,396   |
| Investment earnings  | -                           | 1,759                                     | -   | 1,759  |
|  |                             |   |   |  |
| Total revenue  | 332,396                     | 1,759                                     | -   | 334,155  |
| <b>EXPENDITURES:</b>   |                             |   |   |  |
| Capital outlay   | 328,739                     | 22,237                                    | 364,116                                   | 715,092  |
|  |                             |   |   |  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>3,657</u>                | <u>(20,478)</u>                           | <u>(364,116)</u>                          | <u>(380,937)</u>                                   |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                             |   |   |  |
| Operating transfers to other funds                                   | (37,160)                    | -   | -   | (37,160)   |
| Operating transfers from other funds                                 | -                           | -   | 437,160                                   | 437,160  |
|  |                             |   |   |  |
| Total other financing sources (uses)                                 | <u>(37,160)</u>             | <u>-</u>                                  | <u>437,160</u>                            | <u>400,000</u>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | (33,503)                    | (20,478)                                  | 73,044                                    | 19,063   |
| <b>FUND BALANCES:</b>  |                             |   |   |  |
| Beginning of year  | 178,742                     | 20,478                                    | 167,211                                   | 366,431  |
|  |                             |   |   |  |
| End of year  | <u>\$ 145,239</u>           | <u>\$ -</u>                               | <u>\$ 240,255</u>                         | <u>\$ 385,494</u>                                  |



**TRAVERSE CITY AREA PUBLIC SCHOOLS  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY ACTIVITY – AGENCY FUND  
YEAR ENDED JUNE 30, 2008**

|                         | <b>Balance<br/>07/01/07</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>06/30/08</b> |
|-------------------------|-----------------------------|------------------|-------------------|-----------------------------|
| Business Finance        | \$ 1,991                    | \$ 270           | \$ 1,198          | \$ 1,063                    |
| Blair                   | 20,565                      | 22,362           | 25,760            | 17,167                      |
| Bertha Vos              | 11,127                      | 10,578           | 18,659            | 3,046                       |
| Curriculum              | 4,859                       | 17,384           | 16,853            | 5,390                       |
| Central                 | 49,845                      | 33,143           | 25,800            | 57,188                      |
| Cherry Knoll            | 12,064                      | 14,874           | 13,357            | 13,581                      |
| Courtade                | 18,594                      | 19,477           | 25,935            | 12,136                      |
| Central Senior          | 112,202                     | 471,567          | 415,845           | 167,924                     |
| District                | 65,611                      | 46,287           | 36,955            | 74,943                      |
| Eastern                 | 23,543                      | 21,113           | 25,957            | 18,699                      |
| East Junior             | 31,867                      | 111,678          | 117,079           | 26,466                      |
| Elementary              | 2,894                       | 3,929            | 3,162             | 3,661                       |
| English Second Language | 1,280                       | -                | -                 | 1,280                       |
| Glen Loomis             | 12,123                      | 6,251            | 16,898            | 1,476                       |
| Great Lakes Food Coop.  | 10,961                      | 32,238           | 35,687            | 7,512                       |
| Human Resources         | -                           | 2,598            | -                 | 2,598                       |
| Interlochen             | 18,137                      | 35,081           | 36,105            | 17,113                      |
| Junior High             | 61                          | -                | -                 | 61                          |
| Long Lake               | 7,977                       | 19,128           | 19,527            | 7,578                       |
| Montessori              | 3,663                       | 3,623            | 4,726             | 2,560                       |
| Maintenance             | 191                         | 3,000            | 3,000             | 191                         |
| Music                   | 13,163                      | 91,311           | 86,640            | 17,834                      |
| Norris                  | 16,501                      | 12,809           | 28,041            | 1,269                       |
| Nursing                 | 12,612                      | 12,214           | 11,186            | 13,640                      |
| Old Mission             | 58,523                      | 62,984           | 49,519            | 71,988                      |
| Quality Schools         | 13,940                      | 4,691            | 11,527            | 7,104                       |
| Reading Recovery        | 2,399                       | -                | -                 | 2,399                       |
| Saint Francis           | 159                         | -                | -                 | 159                         |
| Silver Lake             | 15,381                      | 16,804           | 14,629            | 17,556                      |
| Special Programs        | 16,176                      | 1,004            | 7,861             | 9,319                       |
| Superintendent          | 19,526                      | -                | -                 | 19,526                      |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND LIABILITIES BY ACTIVITY – AGENCY FUND**  
**YEAR ENDED JUNE 30, 2008**  
**(Concluded)**

|                            | <b>Balance</b><br><b>07/01/07</b> | <b>Additions</b>    | <b>Deductions</b>   | <b>Balance</b><br><b>06/30/08</b> |
|----------------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|
| Traverse Heights           | \$ 11,307                         | \$ 11,906           | \$ 10,483           | \$ 12,730                         |
| Trinity Lutheran           | (4)                               | -                   | -                   | (4)                               |
| Transportation             | 5,046                             | 9,455               | 5,722               | 8,779                             |
| Traverse Senior            | 18,152                            | 35,748              | 28,857              | 25,043                            |
| Willow Hill                | 43,442                            | 82,347              | 81,340              | 44,449                            |
| West Junior                | 3,623                             | 73,922              | 67,211              | 10,334                            |
| West Senior                | 96,426                            | 537,941             | 524,840             | 109,527                           |
| Westwoods                  | 10,641                            | 26,901              | 23,654              | 13,888                            |
| West Junior - Athletics    | 65,571                            | 51,228              | 62,954              | 53,845                            |
| Central Senior - Athletics | 50,147                            | 149,286             | 184,310             | 15,123                            |
| East Junior - Athletics    | 16,093                            | 58,733              | 39,000              | 35,826                            |
| West Senior - Athletics    | 38,122                            | 94,625              | 108,463             | 24,284                            |
|                            | <u>\$ 936,501</u>                 | <u>\$ 2,208,490</u> | <u>\$ 2,188,740</u> | <u>\$ 956,251</u>                 |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**

2001 School Building and Site Bonds

| <u>Calendar year</u>   | <u>Interest rate</u> | <u>Principal due<br/>May 1</u> | <u>Interest due</u> |                   | <u>Total due<br/>annually</u> |
|------------------------|----------------------|--------------------------------|---------------------|-------------------|-------------------------------|
|                        |                      |                                | <u>May 1</u>        | <u>November 1</u> |                               |
| 2008                   | 3.75%                | \$ -                           | \$ -                | \$ 101,725        | \$ 101,725                    |
| 2009                   | 3.90%                | 800,000                        | 101,725             | 86,125            | 987,850                       |
| 2010                   | 4.00%                | 800,000                        | 86,125              | 70,125            | 956,250                       |
| 2011                   | 4.10%                | 825,000                        | 70,125              | 53,212            | 948,337                       |
| 2012                   | 4.20%                | 825,000                        | 53,212              | 35,888            | 914,100                       |
| 2013                   | 4.30%                | 825,000                        | 35,888              | 18,150            | 879,038                       |
| 2014                   | 4.40%                | 825,000                        | 18,150              | -                 | 843,150                       |
| Total 2001 bonded debt |                      | <u>\$ 4,900,000</u>            | <u>\$ 365,225</u>   | <u>\$ 365,225</u> | <u>\$ 5,630,450</u>           |

The above bonds dated August 1, 2001 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$10,000,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Continued)**

2004 School Building and Site Bonds

| Calendar<br>year       | Interest rate | Principal due<br>May 1 | Interest due      |                   | Total due<br>annually |
|------------------------|---------------|------------------------|-------------------|-------------------|-----------------------|
|                        |               |                        | May 1             | November 1        |                       |
| 2008                   | 3.50%         | \$ -                   | \$ -              | \$ 32,450         | \$ 32,450             |
| 2009                   | 3.75%         | 275,000                | 32,450            | 27,294            | 334,744               |
| 2010                   | 3.75%         | 275,000                | 27,294            | 22,137            | 324,431               |
| 2011                   | 4.00%         | 275,000                | 22,137            | 16,638            | 313,775               |
| 2012                   | 4.00%         | 275,000                | 16,638            | 11,137            | 302,775               |
| 2013                   | 4.00%         | 275,000                | 11,137            | 5,638             | 291,775               |
| 2014                   | 4.10%         | 275,000                | 5,638             | -                 | 280,638               |
| Total 2004 bonded debt |               | <u>\$ 1,650,000</u>    | <u>\$ 115,294</u> | <u>\$ 115,294</u> | <u>\$ 1,880,588</u>   |

The above bonds dated June 1, 2004 were issued for the purpose of remodeling, equipping, and re-equipping school buildings; and improving sites in the school district. The amount of the original bond issue was \$4,000,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Continued)**

2004 Refunding Bonds

| Calendar<br>year       | Interest rate | Principal due<br>May 1, | Interest due     |                  | Total due<br>annually |
|------------------------|---------------|-------------------------|------------------|------------------|-----------------------|
|                        |               |                         | May 1            | November 1       |                       |
| 2008                   | 2.50%         | \$ -                    | \$ -             | \$ 25,300        | \$ 25,300             |
| 2009                   | 2.75%         | <u>1,840,000</u>        | <u>25,300</u>    | <u>-</u>         | <u>1,865,300</u>      |
| Total 2004 bonded debt |               | <u>\$ 1,840,000</u>     | <u>\$ 25,300</u> | <u>\$ 25,300</u> | <u>\$ 1,890,600</u>   |

The above bonds dated March 16, 2004 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$12,720,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Continued)**

2005 School Building and Site Bonds

| Calendar year          | Interest rate | Principal due<br>May 1 | Interest due      |                   | Total due<br>annually |
|------------------------|---------------|------------------------|-------------------|-------------------|-----------------------|
|                        |               |                        | May 1             | November 1        |                       |
| 2008                   | 3.00%         | \$ -                   | \$ -              | \$ 111,244        | \$ 111,244            |
| 2009                   | 3.25%         | 800,000                | 111,244           | 98,244            | 1,009,488             |
| 2010                   | 3.25%         | 825,000                | 98,244            | 84,837            | 1,008,081             |
| 2011                   | 3.45%         | 850,000                | 84,837            | 70,175            | 1,005,012             |
| 2012                   | 3.50%         | 900,000                | 70,175            | 54,425            | 1,024,600             |
| 2013                   | 3.70%         | 925,000                | 54,425            | 37,312            | 1,016,737             |
| 2014                   | 3.75%         | 950,000                | 37,312            | 19,500            | 1,006,812             |
| 2015                   | 4.00%         | 975,000                | 19,500            | -                 | 994,500               |
| Total 2005 bonded debt |               | <u>\$ 6,225,000</u>    | <u>\$ 475,737</u> | <u>\$ 475,737</u> | <u>\$ 7,176,474</u>   |

The above bonds dated May 1, 2005 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurbishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$11,000,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Continued)**

2005 Refunding Bonds

| Calendar<br>year       | Interest rate | Principal due<br>May 1, | Interest due        |                     | Total due<br>annually |
|------------------------|---------------|-------------------------|---------------------|---------------------|-----------------------|
|                        |               |                         | May 1               | November 1          |                       |
| 2008                   | 3.00%         | \$ -                    | \$ -                | \$ 225,994          | \$ 225,994            |
| 2009                   | 3.00%         | 940,000                 | 225,994             | 211,894             | 1,377,888             |
| 2010                   | 3.25%         | 1,245,000               | 211,894             | 191,662             | 1,648,556             |
| 2011                   | 4.00%         | 1,220,000               | 191,662             | 167,262             | 1,578,924             |
| 2012                   | 3.75%         | 1,205,000               | 167,262             | 144,669             | 1,516,931             |
| 2013                   | 5.00%         | 1,185,000               | 144,669             | 115,044             | 1,444,713             |
| 2014                   | 5.00%         | 1,175,000               | 115,044             | 85,669              | 1,375,713             |
| 2015                   | 5.00%         | 1,170,000               | 85,669              | 56,418              | 1,312,087             |
| 2016                   | 4.75%         | 1,165,000               | 56,418              | 28,750              | 1,250,168             |
| 2017                   | 5.00%         | 1,150,000               | 28,750              | -                   | 1,178,750             |
| Total 2005 bonded debt |               | <u>\$ 10,455,000</u>    | <u>\$ 1,227,362</u> | <u>\$ 1,227,362</u> | <u>\$ 12,909,724</u>  |

The above bonds dated March 3, 2005 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$11,110,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Continued)**

2007 School Building and Site Bonds

| Calendar<br>year       | Interest rate | Principal due<br>May 1 | Interest due      |                   | Total due<br>annually |
|------------------------|---------------|------------------------|-------------------|-------------------|-----------------------|
|                        |               |                        | May 1             | November 1        |                       |
| 2008                   | 3.75%         | \$ -                   | \$ -              | \$ 127,700        | \$ 127,700            |
| 2009                   | 4.00%         | 675,000                | 127,700           | 114,200           | 916,900               |
| 2010                   | 4.00%         | 675,000                | 114,200           | 100,700           | 889,900               |
| 2011                   | 4.00%         | 675,000                | 100,700           | 87,200            | 862,900               |
| 2012                   | 4.00%         | 700,000                | 87,200            | 73,200            | 860,400               |
| 2013                   | 4.00%         | 725,000                | 73,200            | 58,700            | 856,900               |
| 2014                   | 4.00%         | 725,000                | 58,700            | 44,200            | 827,900               |
| 2015                   | 4.00%         | 725,000                | 44,200            | 29,700            | 798,900               |
| 2016                   | 4.00%         | 750,000                | 29,700            | 14,700            | 794,400               |
| 2017                   | 4.00%         | 735,000                | 14,700            | -                 | 749,700               |
| Total 2007 bonded debt |               | <u>\$ 6,385,000</u>    | <u>\$ 650,300</u> | <u>\$ 650,300</u> | <u>\$ 7,685,600</u>   |

The above bonds dated March 26, 2007 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$9,870,000.



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Continued)**

2008 School Building and Site Bonds

| Calendar<br>year       | Interest rate | Principal due<br>May 1 | Interest due        |                     | Total due<br>annually |
|------------------------|---------------|------------------------|---------------------|---------------------|-----------------------|
|                        |               |                        | May 1               | November 1          |                       |
| 2008                   | 3.00%         | \$ -                   | \$ -                | \$ 504,844          | \$ 504,844            |
| 2009                   | 3.00%         | 1,600,000              | 504,844             | 480,844             | 2,585,688             |
| 2010                   | 3.00%         | 3,550,000              | 480,844             | 427,594             | 4,458,438             |
| 2011                   | 3.00%         | 3,025,000              | 427,594             | 382,219             | 3,834,813             |
| 2012                   | 3.25%         | 3,050,000              | 382,219             | 332,656             | 3,764,875             |
| 2013                   | 3.25%         | 3,075,000              | 332,656             | 282,687             | 3,690,343             |
| 2014                   | 3.38%         | 3,100,000              | 282,687             | 230,375             | 3,613,062             |
| 2015                   | 3.50%         | 3,125,000              | 230,375             | 175,687             | 3,531,062             |
| 2016                   | 3.63%         | 3,150,000              | 175,687             | 118,594             | 3,444,281             |
| 2017                   | 3.75%         | 3,150,000              | 118,594             | 59,531              | 3,328,125             |
| 2018                   | 3.75%         | 3,175,000              | 59,531              | -                   | 3,234,531             |
| Total 2008 bonded debt |               | <u>\$ 30,000,000</u>   | <u>\$ 2,995,031</u> | <u>\$ 2,995,031</u> | <u>\$ 35,990,062</u>  |

The above bonds dated May 1, 2008 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$30,000,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Concluded)**

2008 Refunding Bonds

| Calendar<br>year       | Interest rate | Principal due<br>May 1, | Interest due        |                     | Total due<br>annually |
|------------------------|---------------|-------------------------|---------------------|---------------------|-----------------------|
|                        |               |                         | May 1               | November 1          |                       |
| 2008                   | 4.00%         | \$ -                    | \$ -                | \$ 968,055          | \$ 968,055            |
| 2009                   | 4.00%         | 1,750,000               | 655,075             | 620,075             | 3,025,150             |
| 2010                   | 4.00%         | 2,475,000               | 620,075             | 570,575             | 3,665,650             |
| 2011                   | 4.00%         | 2,435,000               | 570,575             | 521,875             | 3,527,450             |
| 2012                   | 5.00%         | 2,395,000               | 521,875             | 462,000             | 3,378,875             |
| 2013                   | 5.00%         | 2,380,000               | 462,000             | 402,500             | 3,244,500             |
| 2014                   | 5.00%         | 2,360,000               | 402,500             | 343,500             | 3,106,000             |
| 2015                   | 5.00%         | 2,345,000               | 343,500             | 284,875             | 2,973,375             |
| 2016                   | 5.00%         | 2,320,000               | 284,875             | 226,875             | 2,831,750             |
| 2017                   | 5.00%         | 2,300,000               | 226,875             | 169,375             | 2,696,250             |
| 2018                   | 5.00%         | 2,280,000               | 169,375             | 112,375             | 2,561,750             |
| 2019                   | 5.00%         | 2,260,000               | 112,375             | 55,875              | 2,428,250             |
| 2020                   | 5.00%         | 2,235,000               | 55,875              | -                   | 2,290,875             |
| Total 2008 bonded debt |               | <u>\$ 27,535,000</u>    | <u>\$ 4,424,975</u> | <u>\$ 4,737,955</u> | <u>\$ 36,697,930</u>  |

The above bonds dated February 5, 2008 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$27,535,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT – PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**  
**(Concluded)**

1998 School Improvement Bonds (Durant Bonds)

| <u>Calendar year</u>   | <u>Interest rate</u> | <u>Principal due<br/>May 15</u> | <u>Interest due<br/>May 15</u> | <u>Total due<br/>annually</u> |
|------------------------|----------------------|---------------------------------|--------------------------------|-------------------------------|
| 2008                   |                      | \$ -                            | \$ -                           | \$ -                          |
| 2009                   | 4.76%                | 80,771                          | 21,148                         | 101,919                       |
| 2010                   | 4.76%                | 84,612                          | 17,302                         | 101,914                       |
| 2011                   | 4.76%                | 501,432                         | 183,330                        | 684,762                       |
| 2012                   | 4.76%                | 92,858                          | 9,053                          | 101,911                       |
| 2013                   | 4.76%                | 97,278                          | 4,632                          | 101,910                       |
| Total 1998 bonded debt |                      | <u>\$ 856,951</u>               | <u>\$ 235,465</u>              | <u>\$ 1,092,416</u>           |

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
SCHEDULE OF PROPERTY TAX DATA  
YEAR ENDED JUNE 30, 2008**

|   | 2007                    |                         |                         | Tax Levy (Mills) |               |      |
|---|-------------------------|-------------------------|-------------------------|------------------|---------------|------|
|   | Homestead               | Non-Homestead           | Total                   | Operating        |               | Debt |
|   |                         |                         |                         | Homestead        | Non-Homestead |      |
| <b>Other Information:</b>   |                         |                         |                         |                  |               |      |
| State-equalized valuation of property assessed in the Traverse City Area School District: |                         |                         |                         |                  |               |      |
| Grand Traverse County:  |                         |                         |                         |                  |               |      |
| Acme Township   | \$ 140,838,552          | \$ 136,116,482          | \$ 276,955,034          | 6.0              | 18.0          | 3.1  |
| Blair Township  | 133,529,801             | 91,620,511              | 225,150,312             | 6.0              | 18.0          | 3.1  |
| East Bay Township   | 253,812,965             | 211,973,815             | 465,786,780             | 6.0              | 18.0          | 3.1  |
| Garfield Township   | 315,896,803             | 543,339,247             | 859,236,050             | 6.0              | 18.0          | 3.1  |
| Grant Township  | 11,895,649              | 6,940,291               | 18,835,940              | 6.0              | 18.0          | 3.1  |
| Green Lake Township   | 135,822,836             | 92,438,944              | 228,261,780             | 6.0              | 18.0          | 3.1  |
| Long Lake Township  | 277,834,360             | 102,667,730             | 380,502,090             | 6.0              | 18.0          | 3.1  |
| Peninsula Township  | 373,842,452             | 147,623,029             | 521,465,481             | 6.0              | 18.0          | 3.1  |
| Union Township  | 5,397,583               | 7,157,941               | 12,555,524              | 6.0              | 18.0          | 3.1  |
| Whitewater Township   | 86,710                  | 450,450                 | 537,160                 | 6.0              | 18.0          | 3.1  |
| City of Traverse City   | 282,596,958             | 380,252,389             | 662,849,347             | 6.0              | 18.0          | 3.1  |
| Leelanau County:  |                         |                         |                         |                  |               |      |
| Elmwood Township  | 158,248,859             | 71,360,403              | 229,609,262             | 6.0              | 18.0          | 3.1  |
| Solon Township  | 35,955,008              | 10,995,702              | 46,950,710              | 6.0              | 18.0          | 3.1  |
| Traverse City Annexed   | 4,174,951               | 14,706,977              | 18,881,928              | 6.0              | 18.0          | 3.1  |
| Benzie County - Almira Township   | 27,830,423              | 4,186,062               | 32,016,485              | 6.0              | 18.0          | 3.1  |
| <b>Total</b>  | <b>\$ 2,157,763,910</b> | <b>\$ 1,821,829,973</b> | <b>\$ 3,979,593,883</b> |                  |               |      |
| <b>Official Student Enrollment</b>  |                         |                         | 10,599                  |                  |               |      |

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**PROPERTY TAX DATA**  
**JUNE 30, 2008**

| <u>Year Levied</u>       | <u>Delinquent<br/>July 01, 2007</u> | <u>Original<br/>tax levy</u> | <u>Collections,<br/>adjustments,<br/>and write-offs</u> | <u>Delinquent<br/>June 30, 2008</u> |
|--------------------------|-------------------------------------|------------------------------|---|-------------------------------------|
| General Fund             |                                     |                              |   |                                     |
| 2008                     | \$ -                                | \$ 32,647,322                | \$ 32,533,000   | \$ 114,322                          |
| 2007                     | 115,578                             | -                            | 63,991  | 51,587                              |
| 2006                     | <u>56,607</u>                       | <u>-</u>                     | <u>56,607</u>   | <u>-</u>                            |
| Total General Fund       | <u>172,185</u>                      | <u>32,647,322</u>            | <u>32,653,598</u>                                       | <u>165,909</u>                      |
| Debt Service Funds       |                                     |                              |   |                                     |
| 2008                     | -                                   | 12,476,573                   | 12,454,128  | 22,445                              |
| 2007                     | 19,185                              | -                            | 11,092  | 8,093                               |
| 2006                     | <u>9,213</u>                        | <u>-</u>                     | <u>9,213</u>  | <u>-</u>                            |
| Total Debt Service Funds | <u>28,398</u>                       | <u>12,476,573</u>            | <u>12,474,433</u>                                       | <u>30,538</u>                       |
| Total                    | <u>\$ 200,583</u>                   | <u>\$ 45,123,895</u>         | <u>\$ 45,128,031</u>                                    | <u>\$ 196,447</u>                   |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
GENERAL FUND BALANCE DESIGNATIONS BY BUILDING  
JUNE 30, 2008**

| Site                   | Amount            |
|------------------------|-------------------|
| Bertha Vos             | \$ 35,288         |
| Blair                  | 9,571             |
| Central Grade          | 10,921            |
| Cherry Knoll           | 37                |
| Courtade               | 18,963            |
| Eastern                | 1,850             |
| Glenn Loomis           | 11,300            |
| Interlochen            | 8,734             |
| Long Lake              | 16,999            |
| Montessori             | 16,241            |
| Norris                 | 12,164            |
| Old Mission            | 7,195             |
| Silver Lake            | 10,092            |
| Traverse Heights       | 6,811             |
| Westwoods              | 121               |
| Willow Hill            | 31,101            |
| East Jr. High          | 18,735            |
| West Jr. High          | 42,537            |
| Central Sr. High       | 35,734            |
| West Sr. High          | 12,448            |
| Traverse City Sr. High | 136,673           |
|                        | <u>\$ 443,515</u> |

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
STATISTICAL SECTION OVERVIEW  
2007-2008**

The Statistical section contains a wide array of financial and other information that covers several years and reflects social, economic, and financial trends of the District and the area in which the District operates. This section is designed to give the reader a more thorough understanding of the District as a whole than is available in the basic financial statements taken in isolation. The schedules in this section are segregated into various categories as noted below:

**FINANCIAL TRENDS**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

**REVENUE CAPACITY**

These schedules contain information to help the reader assess the District's revenue generating capacity. It should be noted, as discussed earlier in the transmittal letter, that school funding in Michigan is based on a per student "foundation" amount that is determined by the State of Michigan. Some of the amount determined by the state is raised locally through a millage on "non-homestead" property taxes. The state makes up the difference between what is raised locally and what is the state determined revenue amount due to our district. As such, the District's ability to generate unrestricted revenues via local property taxes is severely limited.

**DEBT CAPACITY**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

**DEMOGRAPHIC & ECONOMIC INFORMATION**

These schedules present demographic and economic indicators to help the reader understand the economic environment within which the District operates.

**OPERATIONAL INFORMATION**

These schedules contain infrastructure information to help the reader understand physical plant aspects of the District's operation.

It should be noted that many of the schedules within the categories described above contain overlapping information. For example, certain demographic and economic information contains property values that can be used to determine debt capacity. Also, certain financial trend information contains student cost by function information that may be considered for demographic purposes. The point is that these schedules are divided into sections so that they relate to their primary purpose (e.g., financial trend, operating, etc.), but contain information that may overlap the purposes defined by these sections.

Special note should also be made that because the revenue capacity and debt capacity information overlaps so closely in our District, we have combined these two sections into one section titled "Revenue and Debt Capacity". This was done so as to make the information more meaningful to the reader and to avoid providing excessively redundant information on the same property values used to show both revenue and debt capacity.

**Traverse City Area Public Schools  
Comprehensive Annual Financial Report  
Statistical Section  
2007-2008**

**FINANCIAL TRENDS**



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**Net Assets by Component**  
**2003-2008<sup>1</sup>**

|  | <b>Fiscal Year<sup>2</sup></b> |                       |                       |
|--|--------------------------------|-----------------------|-----------------------|
|  | <u>2003</u>                    | <u>2004</u>           | <u>2005</u>           |
| <b>ASSETS</b>  |                                |                       |                       |
| <b>Current Assets:</b>   |                                |                       |                       |
| Cash and cash equivalents  | \$ 17,118,917                  | \$ 18,547,684         | \$ 15,142,053         |
| Investments  | 516,837                        | 2,930,602             | 15,163,819            |
| Receivables:   |                                |                       |                       |
| Accounts receivable  | 183,325                        | 120,212               | 177,816               |
| Interest receivable  | 8,872                          |                       | 47,854                |
| Taxes receivable   | 216,013                        | 302,391               | 282,787               |
| Due from other governmental units                                    | 9,962,183                      | 9,699,079             | 10,289,840            |
| Inventories  | 122,517                        | 148,038               | 171,840               |
| Prepaid expenditures   | 105,792                        | 101,940               | 150,252               |
| Restricted cash and cash equivalents-capital projects                |                                |                       |                       |
| Restricted investments - capital projects                            |                                |                       |                       |
| <b>Total Current Assets</b>  | <u>28,234,456</u>              | <u>31,849,946</u>     | <u>41,426,261</u>     |
| <b>Noncurrent Assets:</b>  |                                |                       |                       |
| Deferred charges, net of amortization                                |                                | 114,250               | 244,038               |
| Capital assets   | 158,153,369                    | 160,545,730           | 162,666,775           |
| Less accumulated depreciation  | (45,588,966)                   | (49,245,365)          | (52,816,569)          |
| <b>Total Noncurrent Assets</b>                                       | <u>112,564,403</u>             | <u>111,414,615</u>    | <u>110,094,244</u>    |
| <b>TOTAL ASSETS</b>  | <u>\$ 140,798,859</u>          | <u>\$ 143,264,561</u> | <u>\$ 151,520,505</u> |
| <b>LIABILITIES AND NET ASSETS</b>                                    |                                |                       |                       |
| <b>Current Liabilities:</b>  |                                |                       |                       |
| Accounts payable   | \$ 353,397                     | \$ 837,270            | \$ 892,536            |
| Accrued salaries and related items                                   | 9,634,628                      | 9,587,136             | 10,344,083            |
| Accrued interest   | 660,354                        | 626,333               | 730,884               |
| Accrued expenses   | 123,409                        | 103,722               | 123,982               |
| Unearned revenue   | 1,507,490                      | 715,732               | 725,042               |
| Current portion of long-term obligations                             | 5,364,244                      | 6,912,647             | 8,183,179             |
| Current portion of compensated absences and retirement incentives    | 356,181                        | 354,689               | 559,003               |
| <b>Total Current Liabilities</b>                                     | <u>17,999,703</u>              | <u>19,137,529</u>     | <u>21,558,709</u>     |
| <b>Noncurrent Liabilities:</b>                                       |                                |                       |                       |
| Noncurrent portion of long-term obligations                          | 71,610,706                     | 68,556,366            | 71,281,619            |
| Noncurrent portion of compensated absences and retirement incentives | 547,271                        | 517,432               | 490,997               |
| <b>Total Noncurrent Liabilities</b>                                  | <u>72,157,977</u>              | <u>69,073,798</u>     | <u>71,772,616</u>     |
| <b>Total Liabilities</b>   | <u>90,157,680</u>              | <u>88,211,327</u>     | <u>93,331,325</u>     |
| <b>Net Assets:</b>   |                                |                       |                       |
| Invested in capital assets net of related debt                       | 37,958,814                     | 39,880,280            | 43,695,795            |
| Restricted for debt service  | 841,240                        | 1,303,880             | 1,115,670             |
| Unrestricted   | 11,841,125                     | 13,869,074            | 13,377,715            |
| <b>Total Net Assets</b>  | <u>50,641,179</u>              | <u>55,053,234</u>     | <u>58,189,180</u>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                              | <u>\$ 140,798,859</u>          | <u>\$ 143,264,561</u> | <u>\$ 151,520,505</u> |

<sup>1</sup> Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

<sup>2</sup> Years 2006-2008 continue on following page.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**Net Assets by Component**  
**2003-2008 (Continued from previous page)**

|  | Fiscal Year           |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | 2006                  | 2007                  | 2008                  |
| <b>ASSETS</b>  |                       |                       |                       |
| <b>Current Assets:</b>   |                       |                       |                       |
| Cash and cash equivalents  | \$ 14,051,881         | \$ 13,397,598         | \$ 12,634,089         |
| Investments  | 1,253,066             | 3,424,101             | 4,069,800             |
| Receivables:   |                       |                       |                       |
| Accounts receivable  | 141,359               | 827,686               | 336,821               |
| Interest receivable  | 119,671               | 208,014               | 205,141               |
| Taxes receivable   | 230,239               | 200,583               | 196,447               |
| Due from other governmental units                                    | 9,715,454             | 8,249,936             | 9,251,916             |
| Inventories  | 195,716               | 196,821               | 142,969               |
| Prepaid expenditures   | 87,309                | 139,800               | 151,408               |
| Restricted cash and cash equivalents-capital projects <sup>3</sup>   | 4,091,563             | 2,648,899             | 5,394,933             |
| Restricted investments - capital projects <sup>3</sup>               | 3,025,738             | 8,473,336             | 28,489,739            |
| <b>Total Current Assets</b>  | <b>32,911,996</b>     | <b>37,766,774</b>     | <b>60,873,263</b>     |
| <b>Noncurrent Assets:</b>  |                       |                       |                       |
| Deferred charges, net of amortization                                | 210,867               | 247,648               | 472,833               |
| Capital assets   | 169,240,940           | 177,853,123           | 186,855,858           |
| Less accumulated depreciation  | (56,537,523)          | (60,721,634)          | (64,994,227)          |
| <b>Total Noncurrent Assets</b>                                       | <b>112,914,284</b>    | <b>117,379,137</b>    | <b>122,334,464</b>    |
| <b>TOTAL ASSETS</b>  | <b>\$ 145,826,280</b> | <b>\$ 155,145,911</b> | <b>\$ 183,207,727</b> |
| <b>LIABILITIES AND NET ASSETS</b>                                    |                       |                       |                       |
| <b>Current Liabilities:</b>  |                       |                       |                       |
| Accounts payable   | \$ 1,052,801          | \$ 1,366,528          | \$ 3,452,213          |
| Accrued salaries and related items                                   | 9,037,426             | 7,867,112             | 9,144,623             |
| Accrued interest   | 609,441               | 689,565               | 1,080,457             |
| Accrued expenses   |                       |                       |                       |
| Unearned revenue   | 770,842               | 1,005,355             | 975,977               |
| Current portion of long-term obligations                             | 8,391,507             | 10,560,771            | 8,760,771             |
| Current portion of compensated absences and retirement incentives    | 529,240               | 496,302               | 529,849               |
| <b>Total Current Liabilities</b>                                     | <b>20,391,257</b>     | <b>21,985,633</b>     | <b>23,943,890</b>     |
| <b>Noncurrent Liabilities:</b>                                       |                       |                       |                       |
| Noncurrent portion of long-term obligations                          | 63,172,643            | 62,344,756            | 83,744,767            |
| Noncurrent portion of compensated absences and retirement incentives | 1,038,537             | 1,004,163             | 959,844               |
| <b>Total Noncurrent Liabilities</b>                                  | <b>64,211,180</b>     | <b>63,348,919</b>     | <b>84,704,611</b>     |
| <b>Total Liabilities</b>   | <b>84,602,437</b>     | <b>85,334,552</b>     | <b>108,648,501</b>    |
| <b>Net Assets:</b>   |                       |                       |                       |
| Invested in capital assets net of related debt                       | 48,229,845            | 54,971,707            | 61,407,580            |
| Restricted for debt service  | 1,187,090             | 1,636,811             | 365,445               |
| Unrestricted   | 11,806,908            | 13,202,841            | 12,786,201            |
| <b>Total Net Assets</b>  | <b>61,223,843</b>     | <b>69,811,359</b>     | <b>74,559,226</b>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                              | <b>\$ 145,826,280</b> | <b>\$ 155,145,911</b> | <b>\$ 183,207,727</b> |

<sup>3</sup> Presentation changed to separate Capital Projects assets as "restricted" in fiscal year 2006.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**Changes in Net Assets**  
**2003-2008<sup>1</sup>**

|   | <b>Fiscal Year<sup>2</sup></b> |                      |                      |
|---|--------------------------------|----------------------|----------------------|
|   | <u>2003</u>                    | <u>2004</u>          | <u>2005</u>          |
| <b>Expenses:</b>                                |                                |                      |                      |
| Governmental activities:                        |                                |                      |                      |
| Instruction                                     | \$ 46,890,132                  | \$ 46,915,972        | \$ 48,823,122        |
| Supporting services                             | 29,369,284                     | 30,463,216           | 32,394,692           |
| Community services                              | 3,071,323                      | 3,174,945            | 2,512,309            |
| Outgoing transfers and other transactions       | 262,327                        | 415,524              | 215,361              |
| Food services                                   | 4,387,145                      | 4,489,544            | 4,539,385            |
| Athletics                                       | 1,529,701                      | 1,551,804            | 1,557,295            |
| Interest on long-term debt                      | 3,936,728                      | 3,642,192            | 3,331,954            |
| Unallocated depreciation                        | 4,139,306                      | 3,584,607            | 3,464,631            |
| Total governmental expenses                     | <u>93,585,946</u>              | <u>94,237,804</u>    | <u>96,838,749</u>    |
| <b>Program Revenues:</b>                        |                                |                      |                      |
| Governmental activities:                        |                                |                      |                      |
| Charges for services:                           |                                |                      |                      |
| Instruction                                     | 192,528                        | 45,831               | 52,669               |
| Supporting services                             | 371,677                        | 433,004              | 891,654              |
| Community services                              | 1,342,804                      | 1,493,048            | 1,592,487            |
| Food services                                   | 2,980,360                      | 3,160,186            | 2,994,751            |
| Athletics                                       | 305,044                        | 336,878              | 383,830              |
| Total charges for services                      | <u>5,192,413</u>               | <u>5,468,947</u>     | <u>5,915,391</u>     |
| Operating Grants:                               |                                |                      |                      |
| Instruction                                     | 3,348,752                      | 3,126,176            | 3,113,302            |
| Supporting services                             | 1,390,495                      | 1,352,268            | 1,505,095            |
| Community services                              | 1,815,914                      | 1,941,286            | 869,774              |
| Outgoing transfers and other transactions       |                                |                      |                      |
| Food services                                   | 1,457,429                      | 1,485,806            | 1,535,063            |
| Athletics                                       |                                | 480                  |                      |
| Total operating grants                          | <u>8,012,590</u>               | <u>7,906,016</u>     | <u>7,023,234</u>     |
| Total program revenues                          | <u>13,205,003</u>              | <u>13,374,963</u>    | <u>12,938,625</u>    |
| Net (Expense) revenue and changes in net assets | <u>(80,380,943)</u>            | <u>(80,862,841)</u>  | <u>(83,900,124)</u>  |
| <b>General Revenues:</b>                        |                                |                      |                      |
| Property taxes, levied for general purposes     | 22,385,551                     | 23,660,115           | 25,924,215           |
| Property taxes, levied for debt service         | 8,699,718                      | 9,241,769            | 9,985,717            |
| Investment earnings                             | 344,627                        | 167,568              | 639,026              |
| State sources                                   | 51,048,922                     | 49,685,396           | 47,489,558           |
| Gain on sale of fixed assets                    |                                | 83,708               | 32,253               |
| Traverse Bay Area ISD                           | 986,839                        | 1,119,276            | 1,852,986            |
| Other   | 821,500                        | 1,317,064            | 1,112,315            |
| Total general revenues                          | <u>84,287,157</u>              | <u>85,274,896</u>    | <u>87,036,070</u>    |
| <b>CHANGE IN NET ASSETS</b>                     | <u>3,906,214</u>               | <u>4,412,055</u>     | <u>3,135,946</u>     |
| <b>NET ASSETS, beginning of year</b>            | <u>46,734,965</u>              | <u>50,641,179</u>    | <u>55,053,234</u>    |
| <b>NET ASSETS, end of year</b>                  | <u>\$ 50,641,179</u>           | <u>\$ 55,053,234</u> | <u>\$ 58,189,180</u> |

<sup>1</sup> Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

<sup>2</sup> Years 2006-2008 continue on following page.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**Changes in Net Assets**  
**2003-2008 (Continued from previous page)**

|   | <b>Fiscal Year</b>   |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | <u>2006</u>          | <u>2007</u>          | <u>2008</u>          |
| <b>Expenses:</b>                                |                      |                      |                      |
| Governmental activities:                        |                      |                      |                      |
| Instruction                                     | \$ 50,833,381        | \$ 50,700,895        | \$ 51,089,626        |
| Supporting services                             | 34,114,152           | 33,148,544           | 35,928,588           |
| Community services                              | 1,987,106            | 2,175,103            | 2,362,290            |
| Outgoing transfers and other transactions       | 410,542              | 528,327              | 981,439              |
| Food services                                   | 4,556,915            | 4,685,208            | 4,700,534            |
| Athletics                                       | 1,597,833            | 1,558,812            | 1,597,659            |
| Interest on long-term debt                      | 3,183,246            | 3,014,163            | 3,477,372            |
| Unallocated depreciation                        | 3,402,931            | 3,238,199            | 3,080,473            |
| Total governmental expenses                     | <u>100,086,106</u>   | <u>99,049,251</u>    | <u>103,217,981</u>   |
| <b>Program Revenues:</b>                        |                      |                      |                      |
| Governmental activities:                        |                      |                      |                      |
| Charges for services:                           |                      |                      |                      |
| Instruction                                     | 22,003               | 23,705               | 38,987               |
| Supporting services                             | 836,261              | 847,653              | 926,937              |
| Community services                              | 1,498,585            | 1,597,575            | 1,575,403            |
| Food services                                   | 3,062,044            | 3,012,909            | 2,765,191            |
| Athletics                                       | 361,734              | 245,732              | 275,693              |
| Total charges for services                      | <u>5,780,627</u>     | <u>5,727,574</u>     | <u>5,582,211</u>     |
| Operating Grants:                               |                      |                      |                      |
| Instruction                                     | 3,156,191            | 2,807,508            | 3,433,880            |
| Supporting services                             | 1,785,806            | 1,554,027            | 1,688,106            |
| Community services                              | 359,612              | 585,201              | 712,424              |
| Outgoing transfers and other transactions       | 403,133              | 287,012              | 508,072              |
| Food services                                   | 1,565,172            | 1,677,977            | 1,881,347            |
| Athletics                                       |                      |                      |                      |
| Total operating grants                          | <u>7,269,914</u>     | <u>6,911,725</u>     | <u>8,223,829</u>     |
| Total program revenues                          | <u>13,050,541</u>    | <u>12,639,299</u>    | <u>13,806,040</u>    |
| Net (Expense) revenue and changes in net assets | <u>(87,035,565)</u>  | <u>(86,409,952)</u>  | <u>(89,411,941)</u>  |
| <b>General Revenues:</b>                        |                      |                      |                      |
| Property taxes, levied for general purposes     | 28,095,521           | 30,786,496           | 32,780,989           |
| Property taxes, levied for debt service         | 10,722,573           | 11,693,362           | 12,518,084           |
| Investment earnings                             | 1,542,518            | 1,874,303            | 1,799,069            |
| State sources                                   | 46,792,354           | 46,402,687           | 44,256,448           |
| Gain on sale of fixed assets                    | 25,030               |                      |                      |
| Traverse Bay Area ISD                           | 2,185,231            | 3,561,229            | 1,920,866            |
| Other   | 707,001              | 679,391              | 884,352              |
| Total general revenues                          | <u>90,070,228</u>    | <u>94,997,468</u>    | <u>94,159,808</u>    |
| <b>CHANGE IN NET ASSETS</b>                     | <u>3,034,663</u>     | <u>8,587,516</u>     | <u>4,747,867</u>     |
| <b>NET ASSETS, beginning of year</b>            | <u>58,189,180</u>    | <u>61,223,843</u>    | <u>69,811,359</u>    |
| <b>NET ASSETS, end of year</b>                  | <u>\$ 61,223,843</u> | <u>\$ 69,811,359</u> | <u>\$ 74,559,226</u> |

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**Fund Balances -Governmental Funds**  
**1999-2008**

|  | Fiscal Year          |                     |                     |                      |                      |
|--|----------------------|---------------------|---------------------|----------------------|----------------------|
|  | <u>1999</u>          | <u>2000</u>         | <u>2001</u>         | <u>2002</u>          | <u>2003</u>          |
| <b>General Fund</b>                        |                      |                     |                     |                      |                      |
| Reserved                                   | \$                   | \$ 42,720           | \$                  | \$ 116,310           | \$ 153,812           |
| Designated                                 | 123,399              | 53,680              |                     | 4,383,508            | 5,729,071            |
| Unreserved, undesignated                   | 6,391,337            | 6,268,880           | 8,073,614           | 5,965,928            | 5,941,162            |
| <b>Total general fund</b>                  | <u>6,514,736</u>     | <u>6,365,280</u>    | <u>8,073,614</u>    | <u>10,465,746</u>    | <u>11,824,045</u>    |
| <b>Other governmental funds</b>            |                      |                     |                     |                      |                      |
| Nonmajor Special Revenue Funds             |                      |                     |                     |                      |                      |
| Reserved                                   | 99,914               | 90,704              | 89,914              | 110,122              | 74,497               |
| Unreserved                                 | 251,645              | 277,198             | 252,160             | 445,034              | 733,574              |
| Nonmajor Debt Service Funds                |                      |                     |                     |                      |                      |
| Reserved                                   |                      |                     | 1,247,522           | 1,276,747            | 1,494,686            |
| Unreserved                                 | 1,222,022            | 961,965             |                     |                      |                      |
| Nonmajor Capital Projects Funds            |                      |                     |                     | 7,727,403            |                      |
| Reserved                                   | 4,175,146            | 1,236,933           | 12,753              |                      | 2,369,361            |
| Unreserved nonmajor capital projects funds |                      |                     |                     |                      | 33,911               |
| <b>Total other governmental funds</b>      | <u>5,748,727</u>     | <u>2,566,800</u>    | <u>1,602,349</u>    | <u>9,559,306</u>     | <u>4,706,029</u>     |
| <b>Total governmental funds</b>            | <u>\$ 12,263,463</u> | <u>\$ 8,932,080</u> | <u>\$ 9,675,963</u> | <u>\$ 20,025,052</u> | <u>\$ 16,530,074</u> |

|  | Fiscal Year          |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | <u>2004</u>          | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          | <u>2008</u>          |
| <b>General Fund</b>                        |                      |                      |                      |                      |                      |
| Reserved                                   | \$ 150,301           | \$ 200,161           | \$ 154,716           | \$ 197,663           | \$ 186,489           |
| Designated                                 | 4,812,646            | 5,211,023            | 4,496,361            | 4,080,392            | 5,700,886            |
| Unreserved, undesignated                   | 8,405,096            | 7,491,157            | 6,758,486            | 8,345,652            | 6,347,500            |
| <b>Total general fund</b>                  | <u>13,368,043</u>    | <u>12,902,341</u>    | <u>11,409,563</u>    | <u>12,623,707</u>    | <u>12,234,875</u>    |
| <b>Other governmental funds</b>            |                      |                      |                      |                      |                      |
| Nonmajor Special Revenue Funds             |                      |                      |                      |                      |                      |
| Reserved                                   | 99,677               | 121,931              | 128,309              | 138,958              | 107,888              |
| Unreserved                                 | 906,651              | 1,160,510            | 1,419,470            | 1,509,322            | 1,463,487            |
| Nonmajor Debt Service Funds                |                      |                      |                      |                      |                      |
| Reserved                                   | 1,930,213            | 1,846,554            | 1,796,531            | 2,326,376            | 1,445,902            |
| Unreserved                                 |                      |                      |                      |                      |                      |
| Major Capital Projects Funds               |                      |                      |                      |                      |                      |
| Reserved                                   |                      | 13,066,349           | 6,879,711            | 10,498,097           | 31,578,654           |
| Unreserved                                 | 3,934,678            |                      |                      |                      |                      |
| Unreserved nonmajor capital projects funds | 83,644               | 120,371              | 320,013              | 345,953              | 385,494              |
| <b>Total other governmental funds</b>      | <u>6,954,863</u>     | <u>16,315,715</u>    | <u>10,544,034</u>    | <u>14,818,706</u>    | <u>34,981,425</u>    |
| <b>Total governmental funds</b>            | <u>\$ 20,322,906</u> | <u>\$ 29,218,056</u> | <u>\$ 21,953,597</u> | <u>\$ 27,442,413</u> | <u>\$ 47,216,300</u> |

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**Changes in Fund Balances - Governmental Funds**  
**1999-2008**

|   | Fiscal Year <sup>1</sup> |                       |                   |                      |                       |
|---|--------------------------|-----------------------|-------------------|----------------------|-----------------------|
|   | <u>1999</u>              | <u>2000</u>           | <u>2001</u>       | <u>2002</u>          | <u>2003</u>           |
| <b>Revenues</b>   |                          |                       |                   |                      |                       |
| Local sources:  |                          |                       |                   |                      |                       |
| Property taxes  | \$ 23,566,546            | \$ 25,283,686         | \$ 26,858,117     | \$ 28,987,951        | \$ 31,067,165         |
| Tuition   | -                        | -                     | 911,205           | 177,367              | 1,454,597             |
| Investment earnings                                     | 847,549                  | 945,485               | 1,034,252         | 616,008              | 344,627               |
| Food sales, athletics, and community service            | 2,769,841                | 2,998,317             | 3,099,492         | 4,509,642            | 2,830,253             |
| Other   | 3,134,194                | 1,407,935             | 877,005           | 996,954              | 1,530,994             |
| Total local sources                                     | 30,318,130               | 30,635,423            | 32,780,071        | 35,287,922           | 37,227,636            |
| State sources   | 45,851,735               | 46,819,361            | 48,740,340        | 54,300,614           | 53,687,916            |
| Federal sources   | 2,909,646                | 3,004,703             | 2,794,558         | 4,034,063            | 4,184,539             |
| Incoming transfers                                      | 1,058,343                | 785,414               | 1,653,376         | 2,508,465            | 1,407,885             |
| Intermediate sources                                    | -                        | -                     | -                 | -                    | 966,080               |
| Total revenues  | 80,137,854               | 81,244,901            | 85,968,345        | 96,131,064           | 97,474,056            |
| <b>Expenditures</b>                                     |                          |                       |                   |                      |                       |
| Current:  |                          |                       |                   |                      |                       |
| Instruction   | 38,755,363               | 40,301,250            | 42,263,279        | 46,415,824           | 46,963,221            |
| Supporting services                                     | 24,966,073               | 26,624,934            | 27,331,207        | 28,304,690           | 29,383,342            |
| Food service activities                                 | 3,714,902                | 3,815,111             | 4,006,994         | 4,059,605            | 4,355,098             |
| Athletic activities                                     | 1,259,013                | 1,275,175             | 1,371,033         | 1,463,494            | 1,526,932             |
| Community service activities                            | -                        | -                     | -                 | 2,662,028            | 3,065,674             |
| Outgoing transfers and other transactions               | 1,177,189                | 772,827               | 396,435           | 499,095              | 627,937               |
| Capital outlay  | 19,293,562               | 4,046,150             | 2,648,561         | 3,736,004            | 5,515,073             |
| Arbitrage interest                                      | -                        | -                     | 113,000           | -                    | -                     |
| Debt service:   |                          |                       |                   |                      |                       |
| Principal repayment                                     | 5,423,576                | 4,249,703             | 4,377,247         | 5,011,462            | 5,417,985             |
| Interest expense  | 3,657,874                | 4,178,111             | 3,986,883         | 4,061,185            | 3,946,018             |
| Payment to refunded bond escrow                         | -                        | -                     | -                 | -                    | -                     |
| Bond issuance costs                                     | -                        | -                     | -                 | 63,585               | -                     |
| Other expense   | 5,025                    | 5,911                 | 4,575             | 863                  | 2,587                 |
| Total expenditures                                      | 98,252,577               | 85,269,172            | 86,499,214        | 96,277,835           | 100,803,867           |
| Excess of revenues over (under) expenditures            | (18,114,723)             | (4,024,271)           | (530,869)         | (146,771)            | (3,329,811)           |
| <b>Other Financing Sources (Uses)</b>                   |                          |                       |                   |                      |                       |
| Proceed from issuance of bonds                          | -                        | -                     | -                 | 10,595,860           | -                     |
| Proceed from bond refunding                             | -                        | -                     | -                 | -                    | -                     |
| Bond premium  | -                        | -                     | -                 | -                    | -                     |
| Bond discount   | -                        | -                     | -                 | (100,000)            | -                     |
| Payment to refunded bond escrow account                 | -                        | -                     | -                 | -                    | -                     |
| Proceeds sale of fixed assets                           | -                        | -                     | -                 | -                    | -                     |
| Operating transfers from other funds                    | 1,367,973                | 1,449,263             | 1,552,937         | 1,443,392            | 1,478,932             |
| Operating transfers to other funds                      | (1,342,674)              | (1,443,120)           | (1,341,005)       | (1,443,392)          | (1,478,932)           |
| Retroactive payroll adjustments (union contract)        | -                        | -                     | -                 | -                    | -                     |
| Proceeds of capital lease                               | 252,496                  | 688,304               | 1,062,820         | -                    | -                     |
| Other   | (986)                    | (1,559)               | -                 | -                    | -                     |
| Total other financing sources (uses)                    | 276,809                  | 692,888               | 1,274,752         | 10,495,860           | -                     |
| <b>Net change in fund balance</b>                       | <u>\$ (17,837,914)</u>   | <u>\$ (3,331,383)</u> | <u>\$ 743,883</u> | <u>\$ 10,349,089</u> | <u>\$ (3,329,811)</u> |
| Debt service as a percentage of noncapital expenditures | 11.5%                    | 10.4%                 | 10.0%             | 9.9%                 | 9.8%                  |

<sup>1</sup> Years 2004-2008 continue on following page.

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**Changes in Fund Balances - Governmental Funds**  
**1999-2008 (Continued from previous page)**

|   | Fiscal Year         |                     |                       |                     |                      |
|---|---------------------|---------------------|-----------------------|---------------------|----------------------|
|   | <u>2004</u>         | <u>2005</u>         | <u>2006</u>           | <u>2007</u>         | <u>2008</u>          |
| <b>Revenues</b>   |                     |                     |                       |                     |                      |
| Local sources:  |                     |                     |                       |                     |                      |
| Property taxes  | \$ 32,863,991       | \$ 35,910,721       | \$ 38,843,326         | \$ 42,491,822       | \$ 45,300,289        |
| Tuition   | 1,500,261           | 1,594,985           | 1,475,637             | 1,583,563           | 1,578,105            |
| Investment earnings                                     | 167,568             | 639,026             | 1,542,525             | 1,874,302           | 1,799,069            |
| Food sales, athletics, and community service            | 3,086,384           | 2,943,600           | 2,871,154             | 2,757,157           | 2,471,223            |
| Other   | 1,951,742           | 2,016,484           | 2,558,857             | 3,757,861           | 2,720,888            |
| Total local sources                                     | 39,569,946          | 43,104,816          | 47,291,499            | 52,464,705          | 53,869,574           |
| State sources   | 51,954,916          | 49,453,814          | 48,712,679            | 48,439,784          | 46,263,561           |
| Federal sources   | 5,051,030           | 5,075,636           | 5,123,481             | 4,639,111           | 5,787,158            |
| Incoming transfers                                      | 1,084,811           | 2,060,965           | 1,698,542             | 1,851,115           | 1,791,410            |
| Intermediate sources                                    | 707,726             | 407,829             | 319,800               | 219,586             | 255,361              |
| Total revenues  | 98,368,429          | 100,103,060         | 103,146,001           | 107,614,301         | 107,967,064          |
| <b>Expenditures</b>                                     |                     |                     |                       |                     |                      |
| Current:  |                     |                     |                       |                     |                      |
| Instruction   | 46,976,560          | 48,866,737          | 50,532,479            | 50,739,011          | 51,083,020           |
| Supporting services                                     | 30,000,627          | 31,735,208          | 32,870,762            | 32,143,323          | 34,223,429           |
| Food service activities                                 | 4,479,408           | 4,528,824           | 4,538,296             | 4,664,466           | 4,692,092            |
| Athletic activities                                     | 1,508,246           | 1,504,280           | 1,561,165             | 1,499,902           | 1,546,382            |
| Community service activities                            | 3,172,214           | 2,494,916           | 1,987,106             | 2,214,096           | 2,352,909            |
| Outgoing transfers and other transactions               | 736,924             | 638,434             | 448,743               | 328,135             | 529,994              |
| Capital outlay  | 2,457,439           | 1,935,850           | 7,243,427             | 8,882,205           | 9,912,238            |
| Debt service:   |                     |                     |                       |                     |                      |
| Principal repayment                                     | 5,454,243           | 6,912,646           | 7,885,249             | 8,615,860           | 10,480,000           |
| Interest expense  | 3,676,213           | 3,227,403           | 3,304,689             | 2,934,039           | 3,086,480            |
| Payment to refunded bond escrow                         | 153,846             | 204,844             | -                     | -                   | -                    |
| Bond issuance costs                                     | 114,250             | 149,304             | -                     | 69,952              | 265,352              |
| Other expense   | 31,489              | 140,406             | 38,543                | 39,437              | 124,618              |
| Total expenditures                                      | 98,761,459          | 102,338,852         | 110,410,459           | 112,130,426         | 118,296,514          |
| Excess of revenues over (under) expenditures            | (393,030)           | (2,235,792)         | (7,264,458)           | (4,516,125)         | (10,329,450)         |
| <b>Other Financing Sources (Uses)</b>                   |                     |                     |                       |                     |                      |
| Proceed from issuance of bonds                          | 4,000,000           | 11,000,000          | -                     | 9,870,000           | 30,000,000           |
| Proceed from bond refunding                             | 12,720,000          | 11,110,000          | -                     | -                   | 27,535,000           |
| Bond premium  | 125,712             | 681,267             | -                     | 100,511             | 2,121,375            |
| Bond discount   | -                   | -                   | -                     | -                   | -                    |
| Payment to refunded bond escrow account                 | (12,743,558)        | (11,692,578)        | -                     | -                   | (29,553,038)         |
| Proceeds sale of fixed assets                           | 83,708              | 32,253              | -                     | 34,430              | -                    |
| Operating transfers from other funds                    | 1,500,965           | 1,417,564           | 1,828,411             | 2,012,113           | 1,969,750            |
| Operating transfers to other funds                      | (1,500,965)         | (1,417,564)         | (1,828,411)           | (2,012,113)         | (1,969,750)          |
| Retroactive payroll adjustments (union contract)        | -                   | -                   | -                     | -                   | -                    |
| Proceeds of capital lease                               | -                   | -                   | -                     | -                   | -                    |
| Other   | -                   | -                   | -                     | -                   | -                    |
| Total other financing sources (uses)                    | 4,185,862           | 11,130,942          | -                     | 10,004,941          | 30,103,337           |
| <b>Net change in fund balance</b>                       | <u>\$ 3,792,832</u> | <u>\$ 8,895,150</u> | <u>\$ (7,264,458)</u> | <u>\$ 5,488,816</u> | <u>\$ 19,773,887</u> |
| Debt service as a percentage of noncapital expenditures | 9.8%                | 10.6%               | 10.9%                 | 11.3%               | 12.9%                |

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**Statement of Expenses and Operating Transfers by Function - Government-Wide**  
**2003-2008 <sup>1</sup>**

| <b>Governmental Activities:</b>         | <b>2002-2003</b>     | <b>2003-2004</b>     | <b>2004-2005</b>     |
|---|----------------------|----------------------|----------------------|
| Expenses                                |                      |                      |                      |
| Instruction                             | \$ 46,890,132        | \$ 46,915,972        | \$ 48,823,122        |
| Supporting Services                     | 29,369,284           | 30,463,216           | 32,394,692           |
| Community Service Activities            | 3,071,323            | 3,174,945            | 2,512,309            |
| Outgoing Transfers & Other Transactions | 262,327              | 415,524              | 215,361              |
| Food Service                            | 4,387,145            | 4,489,544            | 4,539,385            |
| Athletics                               | 1,529,701            | 1,551,804            | 1,557,295            |
| Interest on Long-Term Debt              | 3,936,728            | 3,642,192            | 3,331,954            |
| Unallocated Depreciation                | 4,139,306            | 3,584,607            | 3,464,631            |
| Total Governmental Activities           | <u>\$ 93,585,946</u> | <u>\$ 94,237,804</u> | <u>\$ 96,838,749</u> |

| <b>Governmental Activities:</b>         | <b>2005-2006</b>      | <b>2006-2007</b>     | <b>2007-2008</b>      |
|---|-----------------------|----------------------|-----------------------|
| Expenses                                |                       |                      |                       |
| Instruction                             | \$ 50,833,381         | \$ 50,700,895        | \$ 51,089,626         |
| Supporting Services                     | 34,114,152            | 33,148,544           | 35,928,588            |
| Community Service Activities            | 1,987,106             | 2,175,103            | 2,362,290             |
| Outgoing Transfers & Other Transactions | 410,542               | 528,327              | 981,439               |
| Food Service                            | 4,556,915             | 4,685,208            | 4,700,534             |
| Athletics                               | 1,597,833             | 1,558,812            | 1,597,659             |
| Interest on Long-Term Debt              | 3,183,246             | 3,014,163            | 3,477,372             |
| Unallocated Depreciation                | 3,402,931             | 3,238,199            | 3,080,473             |
| Total Governmental Activities           | <u>\$ 100,086,106</u> | <u>\$ 99,049,251</u> | <u>\$ 103,217,981</u> |

<sup>1</sup> Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
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**Statement of Revenues by Source - Government-Wide**  
**2003-2008 <sup>1</sup>**

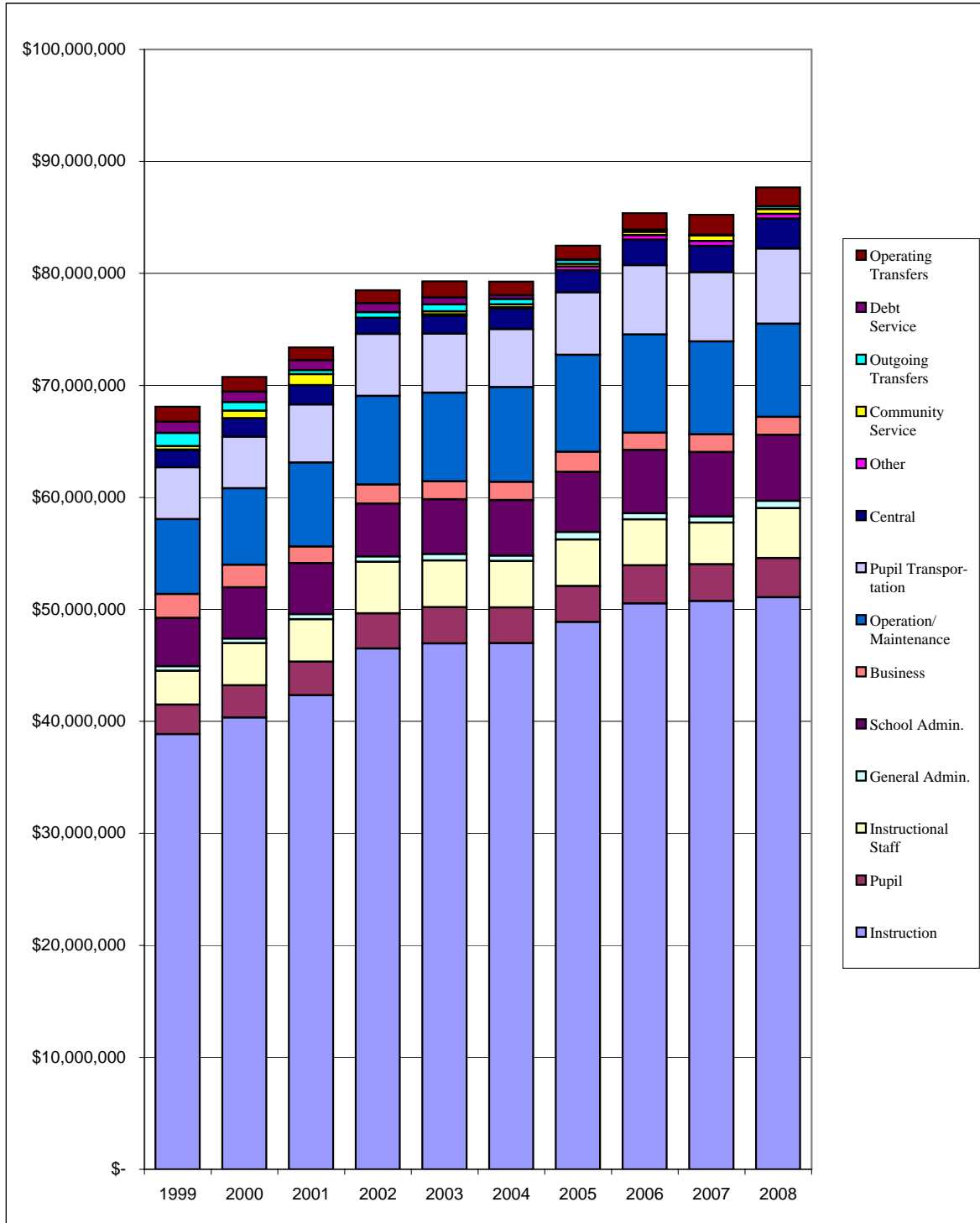
| <b>Revenues</b>                    | <b>2002-2003</b>     | <b>2003-2004</b>     | <b>2004-2005</b>     |
|------------------------------------|----------------------|----------------------|----------------------|
| Program revenues:                  |                      |                      |                      |
| Charges for services               | \$ 5,192,413         | \$ 5,468,947         | \$ 5,915,391         |
| Federal & State Categorical Grants | 8,012,590            | 7,906,016            | 7,023,234            |
| General Revenues:                  |                      |                      |                      |
| Property Taxes                     | 31,085,269           | 32,901,884           | 35,909,932           |
| State Aid - Unrestricted           | 51,048,922           | 49,685,396           | 47,489,558           |
| Other                              | 2,152,966            | 2,687,616            | 3,636,580            |
| Total Revenue                      | <u>\$ 97,492,160</u> | <u>\$ 98,649,859</u> | <u>\$ 99,974,695</u> |

| <b>Revenues</b>                    | <b>2005-2006</b>      | <b>2006-2007</b>      | <b>2007-2008</b>      |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Program revenues:                  |                       |                       |                       |
| Charges for services               | \$ 5,780,627          | \$ 5,727,574          | \$ 5,582,211          |
| Federal & State Categorical Grants | 7,269,914             | 6,911,725             | 8,223,829             |
| General Revenues:                  |                       |                       |                       |
| Property Taxes                     | 38,818,094            | 42,479,858            | 45,299,073            |
| State Aid - Unrestricted           | 46,792,354            | 46,402,687            | 44,256,448            |
| Other                              | 4,459,780             | 6,114,923             | 4,604,287             |
| Total Revenue                      | <u>\$ 103,120,769</u> | <u>\$ 107,636,767</u> | <u>\$ 107,965,848</u> |

<sup>1</sup> Government-wide schedules were not completed prior to the implementation of GASB 34 in 2003.

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
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**Financial Trends**  
**General Fund - Expenditures and Operating Transfers by Function**  
**Graphical Representation**  
**1999-2008**



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**General Fund - Expenditures and Operating Transfers by Function**  
**1999-2008**

| Year<br>Ended<br>June 30 | Instruction   | Support Services |                        |                   |                  |              |                           |  |
|--------------------------|---------------|------------------|------------------------|-------------------|------------------|--------------|---------------------------|--|
|                          |               | Pupil            | Instructional<br>Staff | General<br>Admin. | School<br>Admin. | Business     | Operation/<br>Maintenance |  |
| 1999                     | \$ 38,851,849 | \$ 2,634,348     | \$ 3,027,583           | \$ 403,874        | \$ 4,305,819     | \$ 2,144,610 | \$ 6,677,950              |  |
| 2000                     | 40,340,670    | 2,880,781        | 3,747,701              | 408,177           | 4,596,896        | 2,015,376    | 6,814,868                 |  |
| 2001                     | 42,326,695    | 3,005,080        | 3,787,481              | 444,014           | 4,557,756        | 1,481,221    | 7,504,224                 |  |
| 2002                     | 46,490,943    | 3,155,480        | 4,597,632              | 479,155           | 4,722,171        | 1,697,620    | 7,917,240                 |  |
| 2003                     | 46,963,221    | 3,226,913        | 4,175,087              | 576,501           | 4,877,928        | 1,603,593    | 7,908,177                 |  |
| 2004                     | 46,976,560    | 3,199,621        | 4,135,776              | 487,059           | 4,956,650        | 1,632,986    | 8,466,399                 |  |
| 2005                     | 48,866,735    | 3,210,735        | 4,149,840              | 686,215           | 5,354,659        | 1,812,196    | 8,646,837                 |  |
| 2006                     | 50,532,479    | 3,397,580        | 4,091,337              | 562,333           | 5,646,721        | 1,543,529    | 8,778,002                 |  |
| 2007                     | 50,739,011    | 3,299,713        | 3,709,711              | 542,097           | 5,758,749        | 1,568,419    | 8,305,503                 |  |
| 2008                     | 51,083,020    | 3,502,582        | 4,452,116              | 640,078           | 5,912,806        | 1,588,035    | 8,316,398                 |  |

| Year<br>Ended<br>June 30 | Support Services          |              |           |                      |                       |                 |                        | Total<br>Expenditures<br>and operating<br>transfers |
|--------------------------|---------------------------|--------------|-----------|----------------------|-----------------------|-----------------|------------------------|---|
|                          | Pupil Transpor-<br>tation | Central      | Other     | Community<br>Service | Outgoing<br>Transfers | Debt<br>Service | Operating<br>Transfers |   |
| 1999                     | \$ 4,629,464              | \$ 1,530,116 | \$ 64,012 | \$ 303,480           | \$ 1,177,189          | \$ 1,012,127    | \$ 1,343,660           | \$ 68,106,081                                       |
| 2000                     | 4,608,882                 | 1,655,177    | 5,435     | 658,272              | 768,684               | 940,839         | 1,311,603              | 70,753,361  |
| 2001                     | 5,182,319                 | 1,722,234    | 7,960     | 968,062              | 367,819               | 895,760         | 1,153,593              | 73,404,218  |
| 2002                     | 5,534,396                 | 1,432,656    | 10,970    | -                    | 499,031               | 817,801         | 1,143,390              | 78,498,485  |
| 2003                     | 5,273,537                 | 1,596,216    | 145,390   | 253,723              | 627,937               | 632,165         | 1,434,894              | 79,295,282  |
| 2004                     | 5,179,813                 | 1,821,744    | 120,579   | 255,864              | 479,971               | 332,833         | 1,222,105              | 79,267,960  |
| 2005                     | 5,592,074                 | 1,960,322    | 322,332   | 236,950              | 342,093               | 84,834          | 1,218,614              | 82,484,436  |
| 2006                     | 6,180,088                 | 2,279,528    | 391,644   | 305,458              | 176,047               | -               | 1,489,987              | 85,374,733  |
| 2007                     | 6,189,457                 | 2,340,887    | 428,787   | 504,123              | 49,064                | -               | 1,798,130              | 85,233,651  |
| 2008                     | 6,710,025                 | 2,685,465    | 415,924   | 422,708              | 260,639               | -               | 1,700,087              | 87,689,883  |

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**

**General Fund - Sources of Expenditures and Operating Transfers as a Percentage of Total Expenditures**  
**1999-2008**

| Year Ended<br>June 30 | Instruction | Pupil | Instructional<br>Staff | General Admin. | School Admin. | Business |
|-----------------------|-------------|-------|------------------------|----------------|---------------|----------|
| 1999                  | 57.05%      | 3.87% | 4.45%                  | 0.59%          | 6.32%         | 3.15%    |
| 2000                  | 57.02%      | 4.07% | 5.30%                  | 0.58%          | 6.50%         | 2.85%    |
| 2001                  | 57.66%      | 4.09% | 5.16%                  | 0.60%          | 6.21%         | 2.02%    |
| 2002                  | 59.23%      | 4.02% | 5.86%                  | 0.61%          | 6.02%         | 2.16%    |
| 2003                  | 59.23%      | 4.07% | 5.27%                  | 0.73%          | 6.15%         | 2.02%    |
| 2004                  | 59.26%      | 4.04% | 5.22%                  | 0.61%          | 6.25%         | 2.06%    |
| 2005                  | 59.24%      | 3.89% | 5.03%                  | 0.83%          | 6.49%         | 2.20%    |
| 2006                  | 59.19%      | 3.98% | 4.79%                  | 0.66%          | 6.61%         | 1.81%    |
| 2007                  | 59.53%      | 3.87% | 4.35%                  | 0.64%          | 6.76%         | 1.84%    |
| 2008                  | 58.25%      | 3.99% | 5.08%                  | 0.73%          | 6.74%         | 1.81%    |

| Year Ended<br>June 30 | Operation/<br>Maintenance | Pupil<br>Transportation | Central | Other | Community<br>Service | Outgoing Transfers |
|-----------------------|---------------------------|-------------------------|---------|-------|----------------------|--------------------|
| 1999                  | 9.81%                     | 6.80%                   | 2.25%   | 0.09% | 0.45%                | 1.73%              |
| 2000                  | 9.63%                     | 6.51%                   | 2.34%   | 0.01% | 0.93%                | 1.09%              |
| 2001                  | 10.22%                    | 7.06%                   | 2.35%   | 0.01% | 1.32%                | 0.50%              |
| 2002                  | 10.09%                    | 7.05%                   | 1.83%   | 0.01% | 0.00%                | 0.64%              |
| 2003                  | 9.97%                     | 6.65%                   | 2.01%   | 0.18% | 0.32%                | 0.79%              |
| 2004                  | 10.68%                    | 6.53%                   | 2.30%   | 0.15% | 0.32%                | 0.61%              |
| 2005                  | 10.48%                    | 6.78%                   | 2.38%   | 0.39% | 0.29%                | 0.41%              |
| 2006                  | 10.28%                    | 7.24%                   | 2.67%   | 0.46% | 0.36%                | 0.21%              |
| 2007                  | 9.74%                     | 7.26%                   | 2.75%   | 0.50% | 0.59%                | 0.06%              |
| 2008                  | 9.48%                     | 7.65%                   | 3.06%   | 0.47% | 0.48%                | 0.30%              |

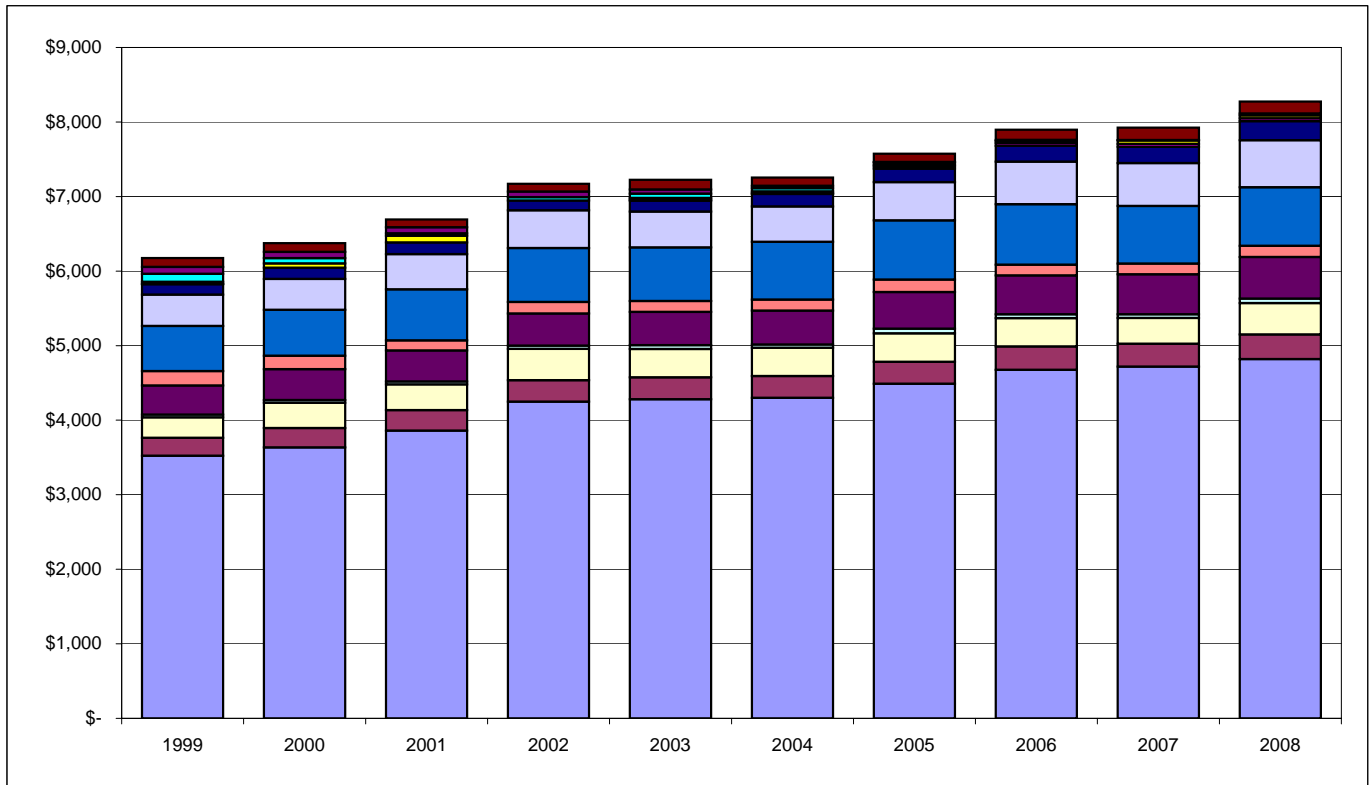
  

| Year Ended<br>June 30 | Debt Service | Operating<br>Transfers | Total<br>Expenditures and<br>Operating<br>Transfers |
|-----------------------|--------------|------------------------|---|
| 1999                  | 1.49%        | 1.97%                  | 100.00%   |
| 2000                  | 1.33%        | 1.85%                  | 100.00%   |
| 2001                  | 1.22%        | 1.57%                  | 100.00%   |
| 2002                  | 1.04%        | 1.46%                  | 100.00%   |
| 2003                  | 0.80%        | 1.81%                  | 100.00%   |
| 2004                  | 0.42%        | 1.54%                  | 100.00%   |
| 2005                  | 0.10%        | 1.48%                  | 100.00%   |
| 2006                  | 0.00%        | 1.75%                  | 100.00%   |
| 2007                  | 0.00%        | 2.11%                  | 100.00%   |
| 2008                  | 0.00%        | 1.94%                  | 100.00%   |

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**

**General Fund - Comparison of Per Pupil Expenditures and Operating Transfers by Function <sup>1</sup>**  
**1999-2008**

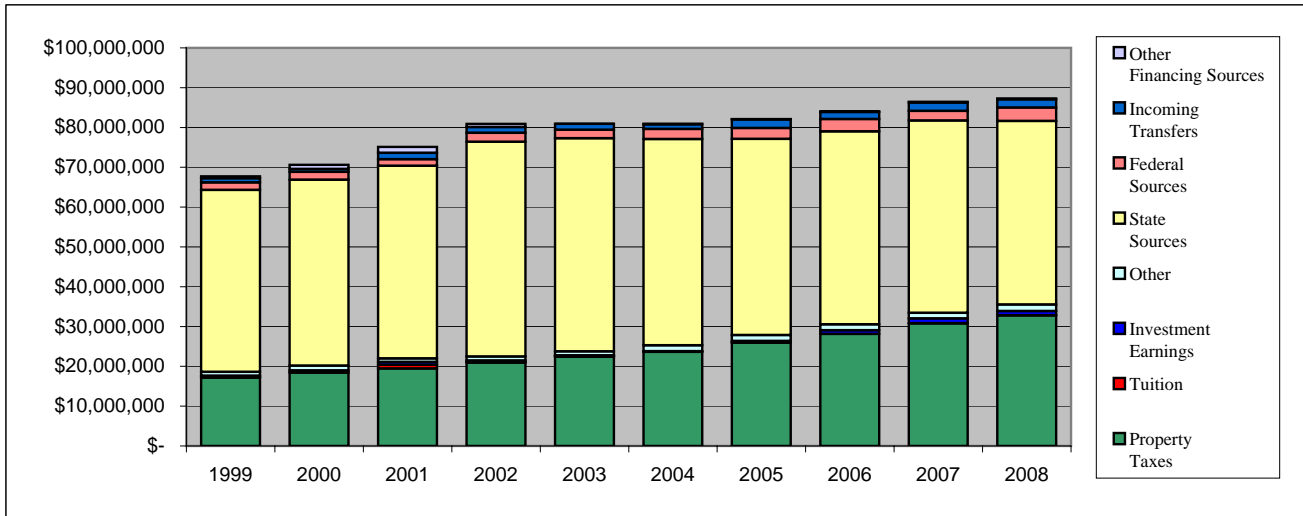


| Year Ended June 30 | Instruction | Pupil  | Instruc-tional Staff | Gen. Admin. | School Admin. | Business | Oper./ Maint. | Pupil Trans. | Central | Other | Comm. Service | Out-going Trans. | Debt Service | Oper. Trans. | Total Expenditures and operating transfers |
|--------------------|-------------|--------|----------------------|-------------|---------------|----------|---------------|--------------|---------|-------|---------------|------------------|--------------|--------------|--|
| 1999               | \$ 3,523    | \$ 239 | \$ 275               | \$ 37       | \$ 390        | \$ 194   | \$ 606        | \$ 420       | \$ 139  | \$ 6  | \$ 28         | \$ 107           | \$ 92        | \$ 122       | \$ 6,176                                   |
| 2000               | 3,635       | 260    | 338                  | 37          | 414           | 182      | 614           | 415          | 149     | 0     | 59            | 69               | 85           | 118          | 6,375                                      |
| 2001               | 3,859       | 274    | 345                  | 40          | 416           | 135      | 684           | 473          | 157     | 1     | 88            | 34               | 82           | 105          | 6,693                                      |
| 2002               | 4,247       | 288    | 420                  | 44          | 431           | 155      | 723           | 506          | 131     | 1     | -             | 46               | 75           | 104          | 7,171                                      |
| 2003               | 4,279       | 294    | 380                  | 53          | 444           | 146      | 721           | 481          | 145     | 13    | 23            | 57               | 58           | 131          | 7,226                                      |
| 2004               | 4,299       | 293    | 378                  | 45          | 454           | 149      | 775           | 474          | 167     | 11    | 23            | 44               | 30           | 112          | 7,254                                      |
| 2005               | 4,488       | 295    | 381                  | 63          | 492           | 166      | 794           | 514          | 180     | 30    | 22            | 31               | 8            | 112          | 7,576                                      |
| 2006               | 4,675       | 314    | 378                  | 52          | 522           | 143      | 812           | 572          | 211     | 36    | 28            | 16               | -            | 138          | 7,898                                      |
| 2007               | 4,718       | 307    | 345                  | 50          | 535           | 146      | 772           | 575          | 218     | 40    | 47            | 5                | -            | 167          | 7,925                                      |
| 2008               | 4,820       | 330    | 420                  | 60          | 558           | 150      | 785           | 633          | 253     | 39    | 40            | 25               | -            | 160          | 8,274                                      |

<sup>1</sup> Expenditures restated on a per pupil basis by using the following formula: Expenditure/current enrollment = per pupil revenue

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**General Fund - Revenues and Other Financing Sources by Source**  
**1999-2008**



| Year Ended June 30 | Property Taxes | Tuition | Investment Earnings | Other      | State Sources | Federal Sources | Incoming Transfers | Other Financing Sources | Total Revenues and Other Financing Sources |
|--------------------|----------------|---------|---------------------|------------|---------------|-----------------|--------------------|-------------------------|--|
| 1999               | \$ 17,148,856  | \$ -    | \$ 507,217          | \$ 966,759 | \$ 45,682,823 | \$ 1,879,108    | \$ 1,058,343       | \$ 495,865              | \$ 67,738,971                              |
| 2000               | 18,389,306     | -       | 577,903             | 1,220,378  | 46,707,602    | 1,954,859       | 731,854            | 1,022,003               | 70,603,905                                 |
| 2001               | 19,470,602     | 911,205 | 726,753             | 877,005    | 48,385,468    | 1,655,069       | 1,619,960          | 1,466,490               | 75,112,552                                 |
| 2002               | 20,929,104     | 177,367 | 352,111             | 996,954    | 53,935,209    | 2,257,777       | 1,469,913          | 772,182                 | 80,890,617                                 |
| 2003               | 22,368,782     | 192,528 | 190,138             | 1,013,898  | 53,541,485    | 2,100,166       | 1,511,061          | 22,019                  | 80,940,077                                 |
| 2004               | 23,630,674     | 45,831  | 117,837             | 1,485,225  | 51,793,293    | 2,567,010       | 1,167,088          | 139,430                 | 80,946,388                                 |
| 2005               | 25,925,302     | 49,860  | 381,637             | 1,477,339  | 49,300,008    | 2,741,346       | 2,143,242          | 99,475                  | 82,118,209                                 |
| 2006               | 28,116,822     | 22,003  | 932,273             | 1,481,946  | 48,450,477    | 3,097,615       | 1,780,819          | 169,212                 | 84,051,167                                 |
| 2007               | 30,797,050     | 23,430  | 1,199,554           | 1,431,069  | 48,298,692    | 2,424,489       | 2,070,701          | 202,810                 | 86,447,795                                 |
| 2008               | 32,783,343     | 37,575  | 1,049,059           | 1,669,831  | 46,091,897    | 3,390,072       | 2,046,771          | 232,503                 | 87,301,051                                 |

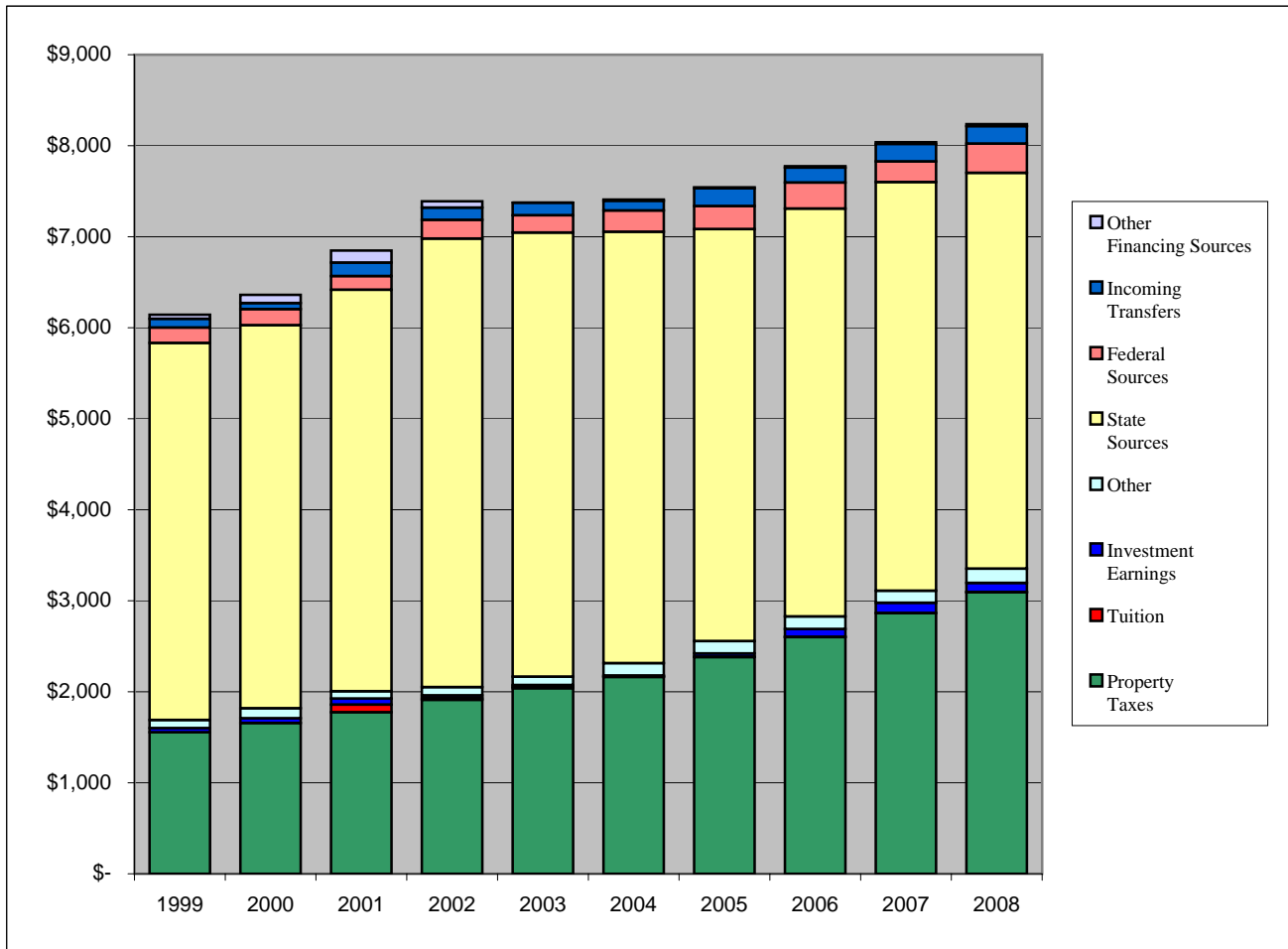
Sources of Revenues as a Percentage of Total Revenue

| Year Ended June 30 | Property Taxes | Tuition | Investment Earnings | Other | State Sources | Federal Sources | Incoming Transfers | Other Financing Sources | Total Revenues and Other Financing Sources |
|--------------------|----------------|---------|---------------------|-------|---------------|-----------------|--------------------|-------------------------|--|
| 1999               | 25.32%         | 0.00%   | 0.75%               | 1.43% | 67.44%        | 2.77%           | 1.56%              | 0.73%                   | 100.00%                                    |
| 2000               | 26.05%         | 0.00%   | 0.82%               | 1.73% | 66.15%        | 2.77%           | 1.04%              | 1.45%                   | 100.00%                                    |
| 2001               | 25.92%         | 1.21%   | 0.97%               | 1.17% | 64.42%        | 2.20%           | 2.16%              | 1.95%                   | 100.00%                                    |
| 2002               | 25.87%         | 0.22%   | 0.44%               | 1.23% | 66.68%        | 2.79%           | 1.82%              | 0.95%                   | 100.00%                                    |
| 2003               | 27.64%         | 0.24%   | 0.23%               | 1.25% | 66.15%        | 2.59%           | 1.87%              | 0.03%                   | 100.00%                                    |
| 2004               | 29.19%         | 0.06%   | 0.15%               | 1.83% | 63.98%        | 3.17%           | 1.44%              | 0.17%                   | 100.00%                                    |
| 2005               | 31.57%         | 0.06%   | 0.46%               | 1.80% | 60.04%        | 3.34%           | 2.61%              | 0.12%                   | 100.00%                                    |
| 2006               | 33.45%         | 0.03%   | 1.11%               | 1.76% | 57.64%        | 3.69%           | 2.12%              | 0.20%                   | 100.00%                                    |
| 2007               | 35.63%         | 0.03%   | 1.39%               | 1.66% | 55.87%        | 2.80%           | 2.40%              | 0.23%                   | 100.00%                                    |
| 2008               | 37.55%         | 0.04%   | 1.20%               | 1.91% | 52.80%        | 3.88%           | 2.34%              | 0.27%                   | 100.00%                                    |

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**

**General Fund - Comparison of Per Pupil Revenues and other Financing Sources by Source**  
**1999-2008**



| Year Ended June 30 | Property Taxes | Tuition | Investment Earnings | Other | State Sources | Federal Sources | Incoming Transfers | Other Financing Sources | Total Revenues and Other Financing Sources | Student <sup>2</sup> Enrollment |
|--------------------|----------------|---------|---------------------|-------|---------------|-----------------|--------------------|-------------------------|--|---------------------------------|
| 1999               | \$ 1,555       | \$ -    | \$ 46               | \$ 88 | \$ 4,143      | \$ 170          | \$ 96              | \$ 45                   | \$ 6,143 <sup>1</sup>                      | 11,027                          |
| 2000               | 1,657          | -       | 52                  | 110   | 4,209         | 176             | 66                 | 92                      | 6,362 <sup>1</sup>                         | 11,098                          |
| 2001               | 1,775          | 83      | 66                  | 80    | 4,412         | 151             | 148                | 134                     | 6,849 <sup>1</sup>                         | 10,967                          |
| 2002               | 1,912          | 16      | 32                  | 91    | 4,927         | 206             | 134                | 71                      | 7,389 <sup>1</sup>                         | 10,947                          |
| 2003               | 2,038          | 18      | 17                  | 92    | 4,879         | 191             | 138                | 2                       | 7,376 <sup>1</sup>                         | 10,974                          |
| 2004               | 2,163          | 4       | 11                  | 136   | 4,740         | 235             | 107                | 13                      | 7,408 <sup>1</sup>                         | 10,927                          |
| 2005               | 2,381          | 5       | 35                  | 136   | 4,528         | 252             | 197                | 9                       | 7,542 <sup>1</sup>                         | 10,888                          |
| 2006               | 2,601          | 2       | 86                  | 137   | 4,482         | 287             | 165                | 16                      | 7,775 <sup>1</sup>                         | 10,810                          |
| 2007               | 2,864          | 2       | 112                 | 133   | 4,491         | 225             | 193                | 19                      | 8,038 <sup>1</sup>                         | 10,755                          |
| 2008               | 3,093          | 4       | 99                  | 158   | 4,349         | 320             | 193                | 22                      | 8,237 <sup>1</sup>                         | 10,599                          |

<sup>1</sup> Revenues restated on a per pupil basis by using the following formula: Revenue/current enrollment = per pupil revenue

<sup>2</sup> Student enrollment figures are taken from year-end state-aid status report.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**General Fund - History of Fund Equity**  
**Fiscal Years 1999-2008**

| <u>Fiscal Year</u> | <u>General Fund<br/>Equity</u> | <u>Total<br/>Expenditures and<br/>Transfers Out</u> | <u>% of General<br/>Fund</u> |
|--------------------|--------------------------------|---|------------------------------|
| 1999               | \$ 6,514,736                   | \$ 68,106,081                                       | 9.57%                        |
| 2000               | 6,365,280                      | 70,753,361  | 9.00%                        |
| 2001               | 8,073,614                      | 73,404,218  | 11.00%                       |
| 2002               | 10,465,746                     | 78,498,485  | 13.33%                       |
| 2003               | 11,824,045                     | 79,295,282  | 14.91%                       |
| 2004               | 13,368,043                     | 79,267,960  | 16.86%                       |
| 2005               | 12,902,341                     | 82,484,436  | 15.64%                       |
| 2006               | 11,409,563                     | 85,374,733  | 13.36%                       |
| 2007               | 12,623,707                     | 85,223,651  | 14.81%                       |
| 2008               | 12,234,875                     | 87,689,883  | 13.95%                       |

Source: Compiled by TCAPS Business Office



**Traverse City Area Public Schools  
Comprehensive Annual Financial Report  
Statistical Section  
2007-2008**

**REVENUE & DEBT CAPACITY**

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Property Tax Levies and Collections**  
**Fiscal Years 1998-1999 through 2007-2008**

**General Fund**

| Fiscal Year | Tax Year | Original tax levy | Collections, adjustments, and write-offs | Delinquent June 30th | Percent of current taxes collected |
|-------------|----------|-------------------|--|----------------------|------------------------------------|
| 1998-1999   | 1998     | \$ 17,163,387     | \$ 17,068,523                            | \$ 94,864            | 99.45%                             |
| 1999-2000   | 1999     | 18,395,892        | 18,289,177                               | 106,715              | 99.42%                             |
| 2000-2001   | 2000     | 19,798,678        | 19,672,845                               | 125,833              | 99.36%                             |
| 2001-2002   | 2001     | 21,252,396        | 21,151,839                               | 100,557              | 99.53%                             |
| 2002-2003   | 2002     | 22,947,711        | 22,808,865                               | 138,846              | 99.39%                             |
| 2003-2004   | 2003     | 23,406,935        | 23,230,070                               | 176,865              | 99.24%                             |
| 2004-2005   | 2004     | 25,940,767        | 25,794,908                               | 145,859              | 99.44%                             |
| 2005-2006   | 2005     | 28,014,021        | 27,897,294                               | 116,727              | 99.58%                             |
| 2006-2007   | 2006     | 30,696,287        | 30,580,708                               | 115,579              | 99.62%                             |
| 2007-2008   | 2007     | 32,647,322        | 32,533,000                               | 114,322              | 99.65%                             |

**Debt Service**

| Fiscal Year | Tax Year | Original tax levy | Collections, adjustments, and write-offs | Delinquent June 30th | Percent of current taxes collected |
|-------------|----------|-------------------|--|----------------------|------------------------------------|
| 1998-1999   | 1998     | \$ 6,364,461      | \$ 6,347,403                             | \$ 17,058            | 99.73%                             |
| 1999-2000   | 1999     | 6,825,893         | 6,807,512                                | 18,381               | 99.73%                             |
| 2000-2001   | 2000     | 7,345,788         | 7,324,121                                | 21,667               | 99.71%                             |
| 2001-2002   | 2001     | 7,987,252         | 7,969,934                                | 17,318               | 99.78%                             |
| 2002-2003   | 2002     | 8,635,819         | 8,611,907                                | 23,912               | 99.72%                             |
| 2003-2004   | 2003     | 9,218,667         | 9,188,814                                | 29,853               | 99.68%                             |
| 2004-2005   | 2004     | 9,930,610         | 9,905,373                                | 25,237               | 99.75%                             |
| 2005-2006   | 2005     | 10,645,035        | 10,625,921                               | 19,114               | 99.82%                             |
| 2006-2007   | 2006     | 11,638,341        | 11,619,157                               | 19,184               | 99.84%                             |
| 2007-2008   | 2007     | 12,476,573        | 12,454,128                               | 22,445               | 99.82%                             |

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Assessed and Estimated Actual Value of Taxable Property**  
**1999-2008**

| <u>Fiscal Year</u> | <u>Tax Year</u> | <u>Assessed Value</u> | <u>Estimated Cash Value</u> |
|--------------------|-----------------|-----------------------|-----------------------------|
| 1998-1999          | 1998            | \$ 2,350,933,089      | \$ 4,701,866,178            |
| 1999-2000          | 1999            | 2,393,994,480         | 4,787,988,960               |
| 2000-2001          | 2000            | 2,669,351,137         | 5,338,702,274               |
| 2001-2002          | 2001            | 3,044,319,375         | 6,088,638,750               |
| 2002-2003          | 2002            | 3,368,018,670         | 6,736,037,340               |
| 2003-2004          | 2003            | 4,038,688,324         | 8,077,376,648               |
| 2004-2005          | 2004            | 4,387,515,340         | 8,775,030,680               |
| 2005-2006          | 2005            | 4,733,682,817         | 9,467,365,634               |
| 2006-2007          | 2006            | 5,177,436,013         | 10,354,872,026              |
| 2007-2008          | 2007            | 5,548,857,557         | 11,097,715,114              |

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Tax Rates - Overlapping**  
**Tax Years 1998-2007**

NOTE: The school district is restricted by state law "Proposal A - 1994" to a maximum levy of 18 mills on non-homestead properties.

| Tax Year | Operating (Mills) | Debt (Mills) | State Education (Mills) | Traverse Bay Area ISD (Mills) | Northwestern Michigan Community College (Mills) | County of Benzie (Mills) | Almira Township (Mills) | County of Leelanau (Mills) | Elmwood Township (Mills) |
|----------|-------------------|--------------|-------------------------|-------------------------------|---|--------------------------|-------------------------|----------------------------|--------------------------|
| 1998     | 17.8866           | 3.1000       | 6.0000                  | 2.7697                        | 2.4612  | 7.9759                   | 4.0392                  | 4.4048                     | 0.7641                   |
| 1999     | 18.0000           | 3.1000       | 6.0000                  | 2.7344                        | 2.4245  | 7.8525                   | 4.0494                  | 4.3445                     | 0.7552                   |
| 2000     | 18.0000           | 3.1000       | 6.0000                  | 3.0459                        | 3.1832  | 7.6995                   | 3.9451                  | 4.2483                     | 0.7402                   |
| 2001     | 18.0000           | 3.1000       | 6.0000                  | 3.0302                        | 3.1487  | 7.6232                   | 2.6425                  | 4.1752                     | 0.7316                   |
| 2002     | 18.0000           | 3.1000       | 6.0000                  | 3.0149                        | 3.1152  | 7.6411                   | 3.8486                  | 4.0795                     | 0.7229                   |
| 2003     | 18.0000           | 3.1000       | 5.0000                  | 2.9929                        | 3.0693  | 7.5969                   | 3.7660                  | 3.9648                     | 0.7078                   |
| 2004     | 18.0000           | 3.1000       | 6.0000                  | 2.9732                        | 2.8324  | 7.5389                   | 3.7626                  | 3.8518                     | 0.6970                   |
| 2005     | 18.0000           | 3.1000       | 6.0000                  | 2.9589                        | 2.9427  | 7.2353                   | 3.6818                  | 3.7635                     | 1.3687                   |
| 2006     | 18.0000           | 3.1000       | 6.0000                  | 2.9421                        | 2.9138  | 7.5692                   | 3.6062                  | 3.6569                     | 0.6806                   |
| 2007     | 18.0000           | 3.1000       | 6.0000                  | 2.9334                        | 2.8700  | 7.6721                   | 3.5964                  | 3.5958                     | 0.6711                   |

| Tax Year | Solon Township (Mills) | Grand Traverse County (Mills) | Medical Care (Mills) | BATA (Mills) | District Library (Mills) | Council on Aging (Mills) | Acme Township (Mills) | Blair Township (Mills) | East Bay Township (Mills) |
|----------|------------------------|-------------------------------|----------------------|--------------|--------------------------|--------------------------|-----------------------|------------------------|---------------------------|
| 1998     | 0.7610                 | 5.6508                        | 0.7482               | 0.1800       | 1.2410                   | 0.1837                   | 0.9081                | 5.0485                 | 0.8486                    |
| 1999     | 0.7478                 | 5.5666                        | 0.7370               | 0.1774       | 1.3430                   | 0.2955                   | 0.8994                | 4.8996                 | 0.8314                    |
| 2000     | 0.7348                 | 5.4719                        | 0.7244               | 0.1740       | 1.1760                   | 0.2904                   | 0.8810                | 4.8645                 | 0.8156                    |
| 2001     | 0.6984                 | 5.3931                        | 0.7139               | 0.1713       | 1.2500                   | 0.2862                   | 0.8802                | 4.8294                 | 0.8042                    |
| 2002     | 0.6836                 | 5.3165                        | 0.7037               | 0.1683       | 1.2691                   | 0.2820                   | 0.8584                | 4.8112                 | 0.7931                    |
| 2003     | 0.6511                 | 5.2112                        | 0.6897               | 0.3500       | 1.2290                   | 0.2763                   | 0.8506                | 4.7649                 | 0.7750                    |
| 2004     | 0.6525                 | 5.1267                        | 0.6785               | 0.3428       | 1.1957                   | 0.2718                   | 0.7967                | 4.8439                 | 0.7610                    |
| 2005     | 0.6340                 | 5.0815                        | 0.6725               | 0.3380       | 1.1590                   | 0.4955                   | 0.7967                | 4.8439                 | 0.7437                    |
| 2006     | 0.6229                 | 5.0154                        | 0.6637               | 0.3317       | 1.1029                   | 0.4890                   | 0.7706                | 4.7650                 | 0.7378                    |
| 2007     | 0.6184                 | 4.9838                        | 0.6595               | 0.3283       | 1.1378                   | 0.4858                   | 0.7358                | 4.7416                 | 0.7348                    |

| Tax Year | Garfield Township (Mills) | Grant Township (Mills) | Green Lake Township (Mills) | Long Lake Township (Mills) | Peninsula Township (Mills) | Union Township (Mills) | Whitewater Township (Mills) | City of Traverse City (Mills) |
|----------|---------------------------|------------------------|-----------------------------|----------------------------|----------------------------|------------------------|-----------------------------|-------------------------------|
| 1998     | 2.3256                    | 0.9826                 | 2.1011                      | 0.8056                     | 3.3139                     | 0.9192                 | 0.7206                      | 13.7575                       |
| 1999     | 2.2667                    | 0.9677                 | 2.0769                      | 0.7935                     | 4.1431                     | 0.9015                 | 0.7041                      | 13.7575                       |
| 2000     | 2.2018                    | 0.9231                 | 2.0440                      | 0.7796                     | 3.2024                     | 0.8898                 | 0.6898                      | 13.6199                       |
| 2001     | 2.1168                    | 0.8912                 | 1.9961                      | 0.7625                     | 2.8552                     | 0.8534                 | 0.6748                      | 13.5447                       |
| 2002     | 3.0416                    | 0.8870                 | 0.7950                      | 0.7400                     | 3.7236                     | 0.8275                 | 0.6596                      | 13.3943                       |
| 2003     | 2.9275                    | 0.8744                 | 2.2756                      | 0.7240                     | 3.8519                     | 0.8039                 | 0.6475                      | 13.2295                       |
| 2004     | 2.8584                    | 0.8299                 | 2.1964                      | 0.7132                     | 3.7843                     | 0.8039                 | 0.6259                      | 13.2295                       |
| 2005     | 2.8584                    | 0.7801                 | 2.1612                      | 0.7012                     | 3.5566                     | 0.8039                 | 0.6168                      | 13.2295                       |
| 2006     | 3.3584                    | 0.7553                 | 2.1062                      | 0.6922                     | 3.5401                     | 0.7944                 | 0.6090                      | 13.1765                       |
| 2007     | 3.3584                    | 0.7377                 | 2.0821                      | 0.6859                     | 3.5260                     | 0.7467                 | 0.6021                      | 13.1765                       |

Source: Information provided by individual townships and counties; compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Ratio of Net General Bonded Debt Outstanding to Assessed Value**  
**and Net Bonded Debt Per Capita**  
**1999-2008**

| Fiscal Year | Tax Year | Population <sup>1</sup><br>(Estimated) | Assessed<br>Valuation | Gross<br>Bonded<br>Debt | Debt<br>Service<br>Monies<br>Available | Net<br>Bonded Debt | Ratio of<br>Net<br>Bonded<br>Debt to<br>Assessed<br>Value | Net<br>Bonded<br>Debt<br>Per<br>Capita |
|-------------|----------|--|-----------------------|-------------------------|--|--------------------|---|--|
| 1998-1999   | 1998     | 70,113                                 | \$ 2,350,933,089      | \$ 82,062,557           | \$ 1,222,022                           | \$ 80,840,535      | 3.44%   | \$ 1,153                               |
| 1999-2000   | 1999     | 71,409                                 | 2,393,994,480         | 78,663,154              | 961,965                                | 77,701,189         | 3.25%   | 1,088                                  |
| 2000-2001   | 2000     | 72,644                                 | 2,669,351,137         | 75,098,125              | 1,247,522                              | 73,850,603         | 2.77%   | 1,017                                  |
| 2001-2002   | 2001     | 74,394                                 | 3,044,319,375         | 80,817,199              | 1,276,747                              | 79,540,452         | 2.61%   | 1,069                                  |
| 2002-2003   | 2002     | 75,461                                 | 3,368,018,670         | 77,878,402              | 1,296,066                              | 76,582,336         | 2.27%   | 1,015                                  |
| 2003-2004   | 2003     | 76,365                                 | 4,038,688,324         | 74,842,199              | 1,632,283                              | 73,209,916         | 1.81%   | 959                                    |
| 2004-2005   | 2004     | 77,350                                 | 4,387,515,340         | 78,597,199              | 1,449,314                              | 77,147,885         | 1.76%   | 997                                    |
| 2005-2006   | 2005     | 77,654                                 | 4,733,682,817         | 70,711,950              | 1,299,981                              | 69,411,969         | 1.47%   | 894                                    |
| 2006-2007   | 2006     | 79,866                                 | 5,177,436,013         | 72,561,951              | 2,326,376                              | 70,235,575         | 1.36%   | 879                                    |
| 2007-2008   | 2007     | 81,087                                 | 5,548,857,557         | 89,846,951              | 1,445,902                              | 88,401,049         | 1.59%   | 1,090                                  |

<sup>1</sup> Source - Northwest Michigan Council of Governments Website

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Ratio of Net General Bonded Debt Outstanding**  
**1999-2008**

| Fiscal Year | General<br>Obligation<br>Bonds | Monies<br>Restricted for<br>Debt Service | Net<br>Bonded Debt | Percentage of<br>Taxable Value <sup>1</sup> | Per Capita <sup>2</sup> |
|-------------|--------------------------------|--|--------------------|---|-------------------------|
| 1998 - 1999 | \$ 80,760,000                  | \$ 1,222,022                             | \$ 79,537,978      | 3.87%                                       | \$ 1,134                |
| 1999 - 2000 | 77,480,000                     | 961,965                                  | 76,518,035         | 3.48%                                       | 1,072                   |
| 2000 - 2001 | 74,040,000                     | 1,247,522                                | 72,792,478         | 3.08%                                       | 1,002                   |
| 2001 - 2002 | 79,890,000                     | 1,276,747                                | 78,613,253         | 3.06%                                       | 1,057                   |
| 2002 - 2003 | 75,055,000                     | 1,296,066                                | 73,758,934         | 2.66%                                       | 977                     |
| 2003 - 2004 | 73,915,000                     | 1,632,283                                | 72,282,717         | 2.45%                                       | 947                     |
| 2004 - 2005 | 77,670,000                     | 1,449,314                                | 76,220,686         | 2.38%                                       | 985                     |
| 2005 - 2006 | 69,855,000                     | 1,299,981                                | 68,555,019         | 2.01%                                       | 883                     |
| 2006 - 2007 | 71,705,000                     | 2,326,376                                | 69,378,624         | 1.85%                                       | 869                     |
| 2007 - 2008 | 88,990,000                     | 1,445,902                                | 87,544,098         | 2.20%                                       | 1,080                   |

<sup>1</sup> Property Taxable Value data provided in Demographic & Economic Information - Property Value & Construction Schedule

<sup>2</sup> Population data provided in Demographic & Economic Information - School District Demographic Statistics Schedule

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
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**Revenue & Debt Capacity**  
**Ratio of Net Debt Outstanding by Type**  
**1999-2008**

| Fiscal Year | General<br>Obligation<br>Bonds | Limited<br>Obligation<br>Bonds <sup>2</sup> | Notes<br>Payable | Capital Leases | Monies<br>Restricted for<br>Debt Service | Total Net<br>Outstanding<br>Debt | Percentage of<br>Personal<br>Income <sup>1</sup> | Per Capita <sup>1</sup> |
|-------------|--------------------------------|---|------------------|----------------|--|----------------------------------|--|-------------------------|
| 1998 - 1999 | \$ 80,760,000                  | \$ 1,302,557                                | \$ 543,851       | \$ 1,078,053   | \$ 1,222,022                             | \$ 82,462,439                    | 4.47%  | \$ 1,176                |
| 1999 - 2000 | 77,480,000                     | 1,183,154                                   | 669,765          | 790,138        | 961,965                                  | 79,161,092                       | 3.95%  | 1,109                   |
| 2000 - 2001 | 74,040,000                     | 1,058,125                                   | 1,347,452        | 363,097        | 1,247,522                                | 75,561,152                       | 3.61%  | 1,040                   |
| 2001 - 2002 | 79,890,000                     | 927,199                                     | 1,470,531        | 105,205        | 1,276,747                                | 81,116,188                       | 3.72%  | 1,090                   |
| 2002 - 2003 | 75,055,000                     | 927,199                                     | 992,751          | -              | 1,494,686                                | 75,480,264                       | 3.45%  | 1,000                   |
| 2003 - 2004 | 73,915,000                     | 927,199                                     | 678,506          | -              | 1,930,213                                | 73,590,492                       | 3.24%  | 964                     |
| 2004 - 2005 | 77,670,000                     | 927,199                                     | 595,860          | -              | 1,846,554                                | 77,346,505                       | 3.28%  | 1,000                   |
| 2005 - 2006 | 69,855,000                     | 856,951                                     | 595,860          | -              | 1,299,981                                | 70,007,830                       | 2.88%  | 9,147                   |
| 2006 - 2007 | 71,705,000                     | 856,951                                     | -                | -              | 2,326,376                                | 70,235,575                       | 2.53%  | 879                     |
| 2007 - 2008 | 88,990,000                     | 856,951                                     | -                | -              | 1,445,902                                | 88,401,049                       | 3.18%  | 1,090                   |

<sup>1</sup> Personal Income and Population data provided in Demographic & Economic Information - School District Demographic Statistics Schedule

<sup>2</sup> This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Legal Debt Margin information**  
**1999-2008**

**Legal Debt Margin Calculation for Fiscal Year 2008**

|  |                              |
|--|------------------------------|
| Assessed Value   | \$ 5,548,857,557             |
| Debit limit (15% of assessed value)                                | 832,328,634                  |
| Debt applicable to limit:  |                              |
| General obligation bonds   | 88,990,000                   |
| Less: Amount set aside for<br>repayment of general obligation debt | <u>(1,445,902)</u>           |
| Total net debt applicable to limit                                 | <u>87,544,098</u>            |
| Legal debt margin  | <u><u>\$ 744,784,536</u></u> |

|   | Fiscal Year                  |                              |                              |                              |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|   | <u>1999</u>                  | <u>2000</u>                  | <u>2001</u>                  | <u>2002</u>                  | <u>2003</u>                  |
| Debt Limit  | \$ 352,639,963               | \$ 359,099,172               | \$ 400,402,671               | \$ 456,647,906               | \$ 505,202,801               |
| Total net debt applicable to limit                                      | <u>79,537,978</u>            | <u>76,518,035</u>            | <u>72,792,478</u>            | <u>78,613,253</u>            | <u>73,758,934</u>            |
| Legal debt margin   | <u><u>\$ 273,101,985</u></u> | <u><u>\$ 282,581,137</u></u> | <u><u>\$ 327,610,193</u></u> | <u><u>\$ 378,034,653</u></u> | <u><u>\$ 431,443,867</u></u> |
| Total net debt applicable to the limit as<br>a percentage of debt limit | 22.56%                       | 21.31%                       | 18.18%                       | 17.22%                       | 14.60%                       |

|   | Fiscal Year                  |                              |                              |                              |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|   | <u>2004</u>                  | <u>2005</u>                  | <u>2006</u>                  | <u>2007</u>                  | <u>2008</u>                  |
| Debt Limit  | \$ 605,803,249               | \$ 658,127,301               | \$ 710,052,423               | \$ 776,615,402               | \$ 832,328,634               |
| Total net debt applicable to limit                                      | <u>72,282,717</u>            | <u>76,220,686</u>            | <u>68,555,019</u>            | <u>69,378,624</u>            | <u>87,544,098</u>            |
| Legal debt margin   | <u><u>\$ 533,520,532</u></u> | <u><u>\$ 581,906,615</u></u> | <u><u>\$ 641,497,404</u></u> | <u><u>\$ 707,236,778</u></u> | <u><u>\$ 744,784,536</u></u> |
| Total net debt applicable to the limit as<br>a percentage of debt limit | 11.93%                       | 11.58%                       | 9.65%                        | 8.93%                        | 10.52%                       |



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
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**Revenue & Debt Capacity**  
**Schedule of Direct and Overlapping Debt**  
**5/1/2008**

| <b>Direct Debt</b>                            | <b>Debt<br/>Outstanding</b> | <b>Percent<br/>Applicable<br/>to School<br/>District</b> | <b>Amount<br/>Applicable<br/>to School<br/>District</b> | <b>Debt<br/>Principal<br/>Per Capita<br/>(Pop 81,087)</b> | <b>Percent<br/>of STV<sup>1</sup></b> |
|---|-----------------------------|--|---|---|---------------------------------------|
| General Obligation Bonds                      | \$ 88,990,000               | 100.00%  | \$ 88,990,000   | \$ 1,097  | 2.37%                                 |
| <b>Overlapping Debt <sup>2</sup></b>          |                             |  |   |   |                                       |
| Traverse City                                 | 28,402,108                  | 100.00%  | 28,402,108  | 350   | 0.76%                                 |
| Acme Township                                 | 5,024,059                   | 87.73%   | 4,407,607   | 54  | 0.12%                                 |
| Blair Township                                | 15,840,000                  | 95.14%   | 15,070,176  | 186   | 0.40%                                 |
| East Bay Township                             | 8,642,931                   | 100.00%  | 8,642,931   | 107   | 0.23%                                 |
| Elmwood Township                              | 3,727,022                   | 91.34%   | 3,404,262   | 42  | 0.09%                                 |
| Garfield Township                             | 17,391,681                  | 100.00%  | 17,391,681  | 214   | 0.46%                                 |
| Long Lake Township                            | 1,040,000                   | 100.00%  | 1,040,000   | 13  | 0.03%                                 |
| Peninsula Township                            | 13,963,199                  | 100.00%  | 13,963,199  | 172   | 0.37%                                 |
| Whitewater Township                           | 180,000                     | 0.32%  | 576   | 0   | 0.00%                                 |
| Benzie County                                 | 1,785,000                   | 3.16%  | 56,406  | 1   | 0.00%                                 |
| Grand Traverse County                         | 34,490,000                  | 88.54%   | 30,537,446  | 377   | 0.81%                                 |
| Leelanau County                               | 19,740,000                  | 13.75%   | 2,714,250   | 33  | 0.07%                                 |
| Northwestern Community College                | 31,980,000                  | 88.54%   | 28,315,092  | 349   | 0.75%                                 |
| Traverse Area District Library                | 5,415,000                   | 88.59%   | 4,797,149   | 59  | 0.13%                                 |
| Traverse City-Garfield Recreational Authority | 6,365,000                   | 100.00%  | 6,365,000   | 78  | 0.17%                                 |
| Total Overlapping Debt                        | 193,986,000                 |  | 165,107,883   | 2,036   | 4.40%                                 |
| Total Direct and Overlapping Debt             | \$ 282,976,000              |  | \$ 254,097,883  | \$ 3,134  | 6.77%                                 |

<sup>1</sup> 2007 Taxable Value equal to \$3,979,593,883

<sup>2</sup> Overlapping debt amounts provided by Municipal Advisory Council of Michigan

Source: Municipal Advisory Council of Michigan

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Taxable Valuation of Property Assessed in School District**  
**1999 - 2008**

| Tax<br>Year | Valuation        |                |                  | Tax Levy (Mills) |               |      |
|-------------|------------------|----------------|------------------|------------------|---------------|------|
|             |                  |                |                  | Operating        |               | Debt |
|             | Homestead        | Non-Homestead  | Total            | Homestead        | Non-Homestead |      |
| 1999        | \$ 1,093,566,624 | \$ 959,482,575 | \$ 2,053,049,199 | 6.00             | 18.0000       | 3.10 |
| 2000        | 1,176,579,216    | 1,025,306,158  | 2,201,885,374    | 6.00             | 18.0000       | 3.10 |
| 2001        | 1,275,340,092    | 1,089,803,642  | 2,365,143,734    | 6.00             | 18.0000       | 3.10 |
| 2002        | 1,398,054,269    | 1,174,745,121  | 2,572,799,390    | 6.00             | 18.0000       | 3.10 |
| 2003        | 1,523,890,201    | 1,245,626,065  | 2,769,516,266    | 6.00             | 18.0000       | 3.10 |
| 2004        | 1,618,820,315    | 1,327,173,681  | 2,945,993,996    | 6.00             | 18.0000       | 3.10 |
| 2005        | 1,729,811,323    | 1,441,954,239  | 3,171,765,562    | 6.00             | 18.0000       | 3.10 |
| 2006        | 1,860,270,180    | 1,556,595,184  | 3,416,865,364    | 6.00             | 18.0000       | 3.10 |
| 2007        | 2,023,754,550    | 1,729,963,024  | 3,753,717,574    | 6.00             | 18.0000       | 3.10 |
| 2008        | 2,157,763,910    | 1,821,829,973  | 3,979,593,883    | 6.00             | 18.0000       | 3.10 |

Ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. This is different than state equalized value, which was the method for assessing ad valorem property taxes prior to 1994. State equalized value was an amount equal to 50% of true cash value.

Source: Compiled by TCAPS Business Office

**Traverse City Area Public Schools  
Comprehensive Annual Financial Report  
Statistical Section  
2007-2008**

**DEMOGRAPHIC & ECONOMIC INFORMATION**

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**Employment by Classification**  
**2003-2008 <sup>1</sup>**

| School Year | Number of Staff         |                          |   | Total |
|-------------|-------------------------|--------------------------|---|-------|
|             | Instructional Employees | Administrative Employees | Support/<br>Non-Instructional Employees |       |
| 2002-2003   | 644                     | 76                       | 756                                     | 1,476 |
| 2003-2004   | 664                     | 81                       | 788                                     | 1,533 |
| 2004-2005   | 667                     | 86                       | 775                                     | 1,528 |
| 2005-2006   | 670                     | 82                       | 770                                     | 1,522 |
| 2006-2007   | 642                     | 78                       | 698                                     | 1,418 |
| 2007-2008   | 650                     | 84                       | 699                                     | 1,433 |

<sup>1</sup> This data provided by TCAPS Human Resources Department and is only available for the past six years.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**School District Demographic Statistics**  
**1999-2008**

| Fiscal Year | Population <sup>1</sup> | Personal<br>Income <sup>1</sup><br>(Thousands) | Per Capita<br>Income <sup>1</sup> | % of<br>Michigan <sup>1</sup> | % of U.S. <sup>1</sup> | Unemployment<br>Rate <sup>1</sup> |
|-------------|-------------------------|--|-----------------------------------|-------------------------------|------------------------|-----------------------------------|
| 1998-1999   | 70,113                  | \$ 1,842,769                                   | \$ 26,283                         | 97.64%                        | 97.74%                 | 3.3%                              |
| 1999-2000   | 71,409                  | 2,001,850                                      | 28,034                            | 99.80%                        | 100.34%                | 3.6%                              |
| 2000-2001   | 72,644                  | 2,094,829                                      | 28,837                            | 97.60%                        | 96.67%                 | 4.7%                              |
| 2001-2002   | 74,394                  | 2,178,333                                      | 29,281                            | 97.80%                        | 95.76%                 | 5.7%                              |
| 2002-2003   | 75,461                  | 2,184,739                                      | 28,952                            | 96.32%                        | 94.02%                 | 6.1%                              |
| 2003-2004   | 76,365                  | 2,268,171                                      | 29,702                            | 95.31%                        | 94.37%                 | 6.5%                              |
| 2004-2005   | 77,350                  | 2,358,898                                      | 30,296                            | 94.36%                        | 94.72%                 | 5.6%                              |
| 2005-2006   | 77,654                  | 2,694,009                                      | 32,089                            | 97.82%                        | 93.09%                 | 5.9%                              |
| 2006-2007   | 79,866                  | 2,894,249                                      | 34,260                            | 101.40%                       | 93.32%                 | 6.5%                              |
| 2007-2008   | 81,087 <sup>2</sup>     | 3,060,379 <sup>2</sup>                         | 35,812 <sup>2</sup>               | 102.55% <sup>2</sup>          | 92.34% <sup>2</sup>    | 7.4%                              |

<sup>1</sup> Unemployment rate for 2007-2008 = YTD 07/31/08; Previous years = Calendar Annual Average

<sup>2</sup> Estimated

Source: Northwest Michigan Council of Governments Website

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**Property Value and Construction**  
**1999-2008**

| Fiscal Year | Tax Year | Valuation        |                |                  | New Residential Building Permits <sup>1</sup> |                |
|-------------|----------|------------------|----------------|------------------|---|----------------|
|             |          | Homestead        | Non-Homestead  | Total            | Number  | Value          |
| 1998-1999   | 1998     | \$ 1,093,566,624 | \$ 959,482,575 | \$ 2,053,049,199 | 878   | \$ 103,288,545 |
| 1999-2000   | 1999     | 1,176,579,216    | 1,025,306,158  | 2,201,885,374    | 1142  | 139,313,343    |
| 2000-2001   | 2000     | 1,275,340,092    | 1,089,803,642  | 2,365,143,734    | 896   | 125,752,590    |
| 2001-2002   | 2001     | 1,398,054,269    | 1,174,745,121  | 2,572,799,390    | 796   | 97,223,100     |
| 2002-2003   | 2002     | 1,523,890,201    | 1,245,626,065  | 2,769,516,266    | 847   | 110,523,825    |
| 2003-2004   | 2003     | 1,618,820,315    | 1,327,173,681  | 2,945,993,996    | 988   | 125,537,857    |
| 2004-2005   | 2004     | 1,729,811,323    | 1,441,954,239  | 3,171,765,562    | 909   | 135,457,065    |
| 2005-2006   | 2005     | 1,860,270,180    | 1,556,595,184  | 3,416,865,364    | 1079  | 129,927,448    |
| 2006-2007   | 2006     | 2,023,754,550    | 1,729,963,024  | 3,753,717,574    | 1313  | 149,915,451    |
| 2007-2008   | 2007     | 2,157,763,910    | 1,821,829,973  | 3,979,593,883    | 419   | 78,457,676     |

<sup>1</sup> Grand Traverse and Leelanau Counties

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**Principal Taxpayers**  
**2008**

| Principal Taxpayer                     | Product/Service      | Taxable Valuation and<br>Industrial Facilities Tax Valuation |                     |
|--|----------------------|--|---------------------|
|  |                      | Total  | Percent of<br>Total |
| Grand Traverse Band of Ottawa Indians  | Resort               | \$ 20,673,137  | 0.52%               |
| Great Wolf Lodge of TC LLC             | Lodge                | 20,026,760   | 0.51%               |
| Sara Lee Corp.                         | Frozen Foods         | 17,823,990   | 0.45%               |
| Hillsdale Automotive LLC               | Automotive           | 16,282,160   | 0.41%               |
| Grand Traverse Crossing Shopping       | Retail Shopping Mall | 16,113,870   | 0.40%               |
| Consumers Energy                       | Utility              | 15,819,307   | 0.40%               |
| Michigan Consolidated Gas (DTE Energy) | Utility              | 15,018,954   | 0.38%               |
| Grand Traverse Mall, Ltd.              | Retail Shopping Mall | 13,696,980   | 0.34%               |
| Pinnacle Arizona Development           | Developer            | 10,377,200   | 0.26%               |
| GDO Investments                        | Investments          | 9,937,313  | 0.25%               |
| Subtotal                               |                      | 155,769,671  | 3.92%               |
| All Others                             |                      | 3,823,824,212  | 96.09%              |
| Totals                                 |                      | \$ 3,979,593,883   | 100.00%             |

Source: Grand Traverse, Leelanau, and Benzie Counties

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**Principal Employers in the District (Top 10)**  
**2005 - 2008**

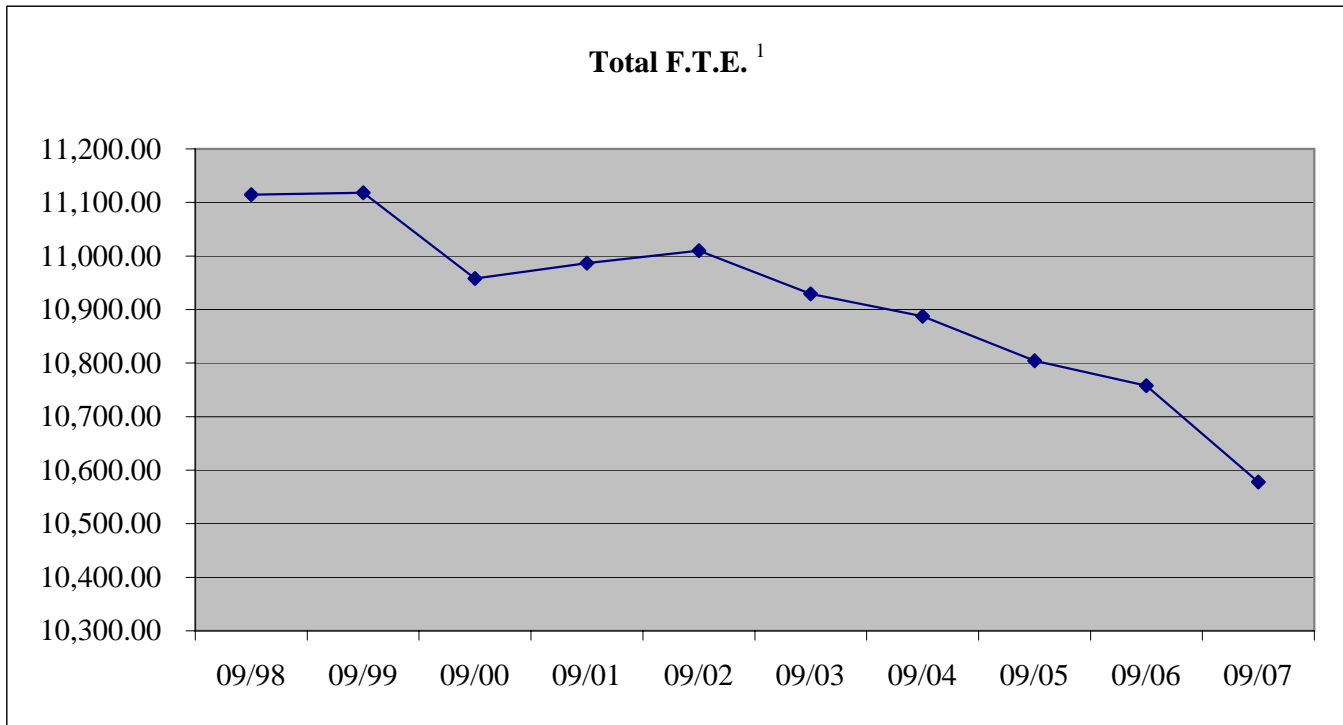
| Employer                          | Product/Service  | Number Employed |           |           |           |
|-----------------------------------|------------------|-----------------|-----------|-----------|-----------|
|                                   |                  | 2004/2005       | 2005/2006 | 2006/2007 | 2007/2008 |
| Munson Medical Center             | Health Care      | 3,000           | 4,000     | 2,221     | 2,221     |
| Traverse City Area Public Schools | Education        | 1,513           | 1,457     | 1,485     | 1,459     |
| Traverse Bay Entertainment        | Gaming           | 1,200           | 1,200     | 1,200     | 1,200     |
| Interlochen Center for the Arts   | Education        | 350-1,200       | 350-1,200 | 350-1,200 | 350-1,200 |
| Nish-Nah-Bee                      | Automotive Parts | 500-999         | 500-999   | 500-999   | 500-999   |
| Grand Traverse Resort             | Resort           | 600-900         | 600-900   | 600-900   | 600-900   |
| Sara Lee Bakeries                 | Frozen Food      | 583             | 616       | 640       | 700       |
| Northwestern MI Community College | Education        | 600             | 623       | 623       | 623       |
| Traverse Bay ISD                  | Education        | 585             | 600       | 600       | 600       |
| Cherry Growers Inc                | Fruit Canning    | 225-600         | 225-600   | 225-600   | 225-600   |

Source: Michigan Manufacturers Directory and individual employers; information from prior six years is not available.



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**School District Full-Time Equated (F.T.E.)**  
**1999 - 2008**

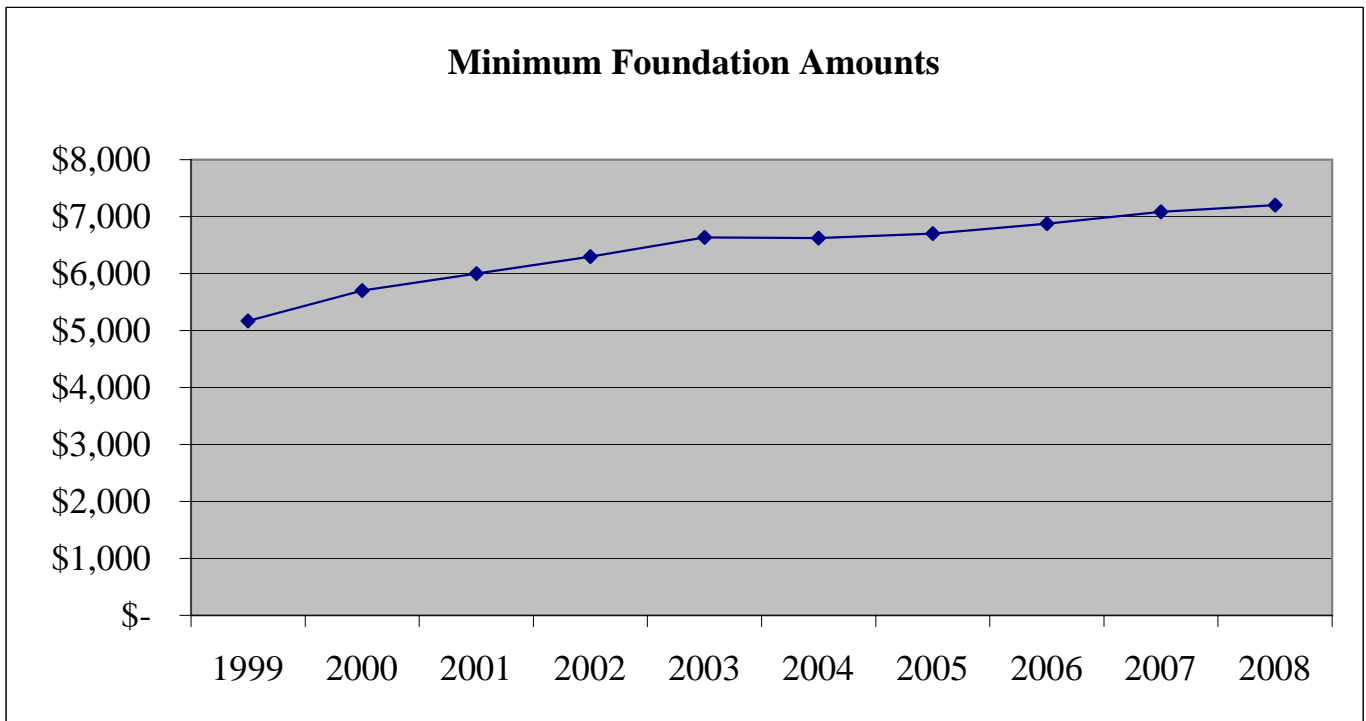
| School Year | Total F.T.E. * |
|-------------|----------------|
| 09/98       | 11,114.33      |
| 09/99       | 11,117.84      |
| 09/00       | 10,957.91      |
| 09/01       | 10,986.36      |
| 09/02       | 11,009.94      |
| 09/03       | 10,929.25      |
| 09/04       | 10,887.54      |
| 09/05       | 10,804.35      |
| 09/06       | 10,757.72      |
| 09/07       | 10,578.08      |



<sup>1</sup> Enrollment as of fall count day converted to a full time equivalent basis. This count includes shared time and early childhood programs.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**History of Foundation Allowance**  
**Fiscal Years 1999-2008**

| School Year | Minimum Foundation Amounts |
|-------------|----------------------------|
| 1999        | \$ 5,170                   |
| 2000        | 5,700                      |
| 2001        | 6,000                      |
| 2002        | 6,300                      |
| 2003        | 6,635                      |
| 2004        | 6,626                      |
| 2005        | 6,700                      |
| 2006        | 6,875                      |
| 2007        | 7,085                      |
| 2008        | 7,204                      |



Source: Michigan Department of Education; compiled by TCAPS Business Office

**Traverse City Area Public Schools  
Comprehensive Annual Financial Report  
Statistical Section  
2007-2008**

**OPERATIONAL INFORMATION**

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operational Information**  
**Insurance Coverage Data**  
**Fiscal Year 2007-2008**

| Location   | Structure <sup>1</sup> | Contents <sup>1</sup> | Playground<br>Lighting, Signage<br>& PIO <sup>1</sup> | Technology<br>Data & Voice <sup>2</sup> |
|--|------------------------|-----------------------|---|---|
| Traverse City High School                        | \$ 6,016,774           | \$ 294,661            | \$ 51,833   | \$ 125,866                              |
| Central Senior High School                       | 40,656,890             | 3,130,993             | 383,321   | 736,450                                 |
| West Senior High School                          | 32,299,880             | 794,278               | 214,240   | 554,346                                 |
| East Junior High                                 | 23,739,965             | 1,433,576             | 171,392   | 516,854                                 |
| West Junior High                                 | 26,683,691             | 1,930,757             | 288,813   | 388,310                                 |
| Bertha Vos Elementary                            | 4,567,261              | 197,162               | 28,134  | 109,262                                 |
| Blair Elementary                                 | 5,662,762              | 217,812               | 69,975  | 109,262                                 |
| Central Grade Elementary                         | 18,263,565             | 458,961               | 29,192  | 157,466                                 |
| Cherry Knoll Elementary                          | 6,287,164              | 276,872               | 66,277  | 109,262                                 |
| Courtade Elementary                              | 7,101,762              | 235,327               | 57,977  | 93,194                                  |
| Eastern Elementary                               | 4,617,598              | 244,877               | 39,281  | 114,618                                 |
| Glenn Loomis Elementary                          | 6,278,194              | 249,457               | 54,845  | 103,906                                 |
| Interlochen Elementary                           | 5,014,510              | 255,405               | 41,359  | 119,974                                 |
| Long Lake Elementary                             | 5,218,414              | 243,376               | 51,911  | 103,906                                 |
| Norris Elementary                                | 4,750,442              | 226,483               | 49,093  | 93,194                                  |
| Oak Park Elementary                              | 5,196,789              | 209,932               | 41,546  | 98,550                                  |
| Old Mission Elementary                           | 4,499,040              | 257,088               | 55,360  | 160,680                                 |
| Sabin Elementary                                 | 5,511,548              | 40,000                | 22,227  | 23,566                                  |
| Silver Lake Elementary                           | 5,662,762              | 215,095               | 62,719  | 114,618                                 |
| Traverse Heights Elementary                      | 7,800,000              | 364,000               | 78,000  | 260,000                                 |
| Westwoods Elementary                             | 5,667,252              | 247,618               | 55,306  | 189,602                                 |
| Willow Hill Elementary                           | 6,186,531              | 228,885               | 8,585   | 87,838                                  |
| Boardman Administration Bldg.                    | 2,581,011              | 772,374               | -   | 227,094                                 |
| Bus Garage                                       | 1,837,587              | 549,974               | -   | 278,512                                 |
| Operations Building                              | 1,360,054              | 173,565               | -   | 1,627,153                               |
| Coast Guard Soccer Fields                        | 1,466,783              | -                     | 146,754   | -                                       |
| Thirlby Field                                    | 2,386,866              | 400,778               | 14,033  | -                                       |
|  | <u>\$ 247,315,095</u>  | <u>\$ 13,649,306</u>  | <u>\$ 2,082,173</u>                                   | <u>\$ 6,503,483</u>                     |
| <b><u>Total Real &amp; Personal Property</u></b> |                        |                       |   | <u>\$ 269,550,057</u>                   |

<sup>1</sup> Values based on Appraisal dated June 30, 2002, plus adjustments.

<sup>2</sup> Values based on physical inventory June 30, 2005, plus adjustments.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operational Information**  
**Summary of Owned Buildings and Sites**  
**June 30, 2008**

| Building                      | Year of<br>Construction<br>or Purchase | Number of<br>Stories | Square<br>Footage | Acreage  | Number of<br>Classrooms | Number of<br>Students |
|-------------------------------|--|----------------------|-------------------|----------|-------------------------|-----------------------|
| <b>INSTRUCTIONAL</b>          |  |                      |                   |          |                         |                       |
| <u>Elementary Schools</u>     |  |                      |                   |          |                         |                       |
| Bertha Vos Elementary         | 1953                                   | one                  | 33,647            | 6.0      | 12                      | 240                   |
| Blair Elementary              | 1990                                   | one                  | 42,000            | 110.0    | 13                      | 317                   |
| Central Grade Elementary      | 1922                                   | two                  | 143,550           | 4.4      | 27                      | 739                   |
| Cherry Knoll Elementary       | 1956                                   | one                  | 44,952            | 4.1      | 13                      | 365                   |
| Courtade Elementary           | 1991                                   | one                  | 51,000            | 16.0     | 23                      | 271                   |
| Eastern Elementary            | 1957                                   | one                  | 34,226            | 12.0     | 13                      | 292                   |
| Glenn Loomis Elementary       | 1957                                   | one                  | 46,537            | 4.6      | 13                      | 261                   |
| Interlochen Elementary        | 1950                                   | one                  | 37,192            | 5.0      | 13                      | 346                   |
| Long Lake Elementary          | 1958                                   | one                  | 38,648            | 45.0     | 14                      | 298                   |
| Norris Elementary             | 1949                                   | one                  | 35,161            | 5.3      | 10                      | 260                   |
| Oak Park Elementary           | 1950                                   | one                  | 36,000            | 3.5      | 9                       | 0                     |
| Old Mission Elementary        | 1956                                   | one                  | 39,304            | 9.0      | 15                      | 203                   |
| Sabin Elementary              | 1949                                   | one                  | 40,829            | 8.2      | 10                      | 0                     |
| Silver Lake Elementary        | 1987                                   | one                  | 42,000            | 15.0     | 12                      | 337                   |
| Traverse Heights Elementary   | 1950                                   | one                  | 57,873            | 14.0     | 24                      | 278                   |
| Westwoods Elementary          | 1990                                   | one                  | 42,000            | 16.1     | 17                      | 413                   |
| Willow Hill Elementary        | 1949                                   | one                  | 44,430            | 10.0     | 20                      | 354                   |
| <u>Secondary Schools</u>      |  |                      |                   |          |                         |                       |
| East Junior High              | 1991                                   | one                  | 190,000           | 90.0     | 75                      | 1,140                 |
| West Junior High              | 1969                                   | one                  | 210,000           | 80.0     | 75                      | 1,357                 |
| Central Senior High School    | 1958                                   | one                  | 260,000           | 36.3     | 70                      | 1,208                 |
| Traverse City High School     | 1949                                   | one                  | 43,842            | 7.1      | 19                      | 185                   |
| West Senior High School       | 1997                                   | two                  | 240,960           | 100.0    | 75                      | 1,520                 |
| Total Instructional           |  |                      | 1,754,151         | 601.6    | 572                     | 10,384                |
| <b>NON-INSTRUCTIONAL</b>      |  |                      |                   |          |                         |                       |
| Boardman Administration Bldg. | 1914                                   | three                | 25,920            | 1.0      |                         |                       |
| Bus Garage                    | 1971                                   | one                  | 19,200            | -- 14.00 |                         |                       |
| Operations Building           | 1981                                   | one                  | 12,115            |          |                         |                       |
| Coast Guard Warehouse         | 1968                                   | one                  | 18,000            | 26.0     |                         |                       |
| Thirlby Field Misc. Buildings | 1995                                   |                      | 25,884            | 7.0      |                         |                       |
| Total Non-Instructional       |  |                      | 101,119           | 48.0     |                         |                       |
| <b>LAND ASSETS</b>            |  |                      |                   |          |                         |                       |
| BAAS Property                 | 1942                                   | -                    | -                 | 80.0     |                         |                       |
| Church Road Property          | 1942                                   | -                    | -                 | 40.0     |                         |                       |
| Potter Forest Property        | 1940                                   | -                    | -                 | 80.0     |                         |                       |

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operational Information**  
**School Building Information<sup>1</sup>**

|  | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>Bertha Vos Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 33,647  | 33,647  | 33,647  | 33,647  | 33,647  | 33,647  | 33,647  | 33,647  | 33,647  | 33,647  |
| Capacity   | 325     | 325     | 325     | 325     | 325     | 325     | 325     | 325     | 325     | 325     |
| Enrollment   | 243     | 245     | 230     | 214     | 252     | 278     | 277     | 297     | 295     | 240     |
| <u>Blair Elementary</u>  |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  |
| Capacity   | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     |
| Enrollment   | 347     | 356     | 302     | 290     | 299     | 310     | 287     | 365     | 345     | 317     |
| <u>Central Grade Elementary</u>  |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 | 143,550 |
| Capacity   | 790     | 790     | 790     | 790     | 790     | 790     | 790     | 790     | 790     | 790     |
| Enrollment   | 450     | 479     | 450     | 480     | 514     | 570     | 613     | 639     | 706     | 739     |
| <u>Cherry Knoll Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 44,952  | 44,952  | 44,952  | 44,952  | 44,952  | 44,952  | 44,952  | 44,952  | 44,952  | 44,952  |
| Capacity   | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     |
| Enrollment   | 325     | 348     | 335     | 329     | 361     | 337     | 337     | 359     | 377     | 365     |
| <u>Courtade Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 51,000  |
| Capacity   | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 575     |
| Enrollment   | 313     | 304     | 271     | 252     | 310     | 305     | 276     | 298     | 302     | 271     |
| <u>East Bay Elementary (in 02/03<br/>became Traverse City High<br/>School)</u> |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 37,969  | 37,969  | 37,969  | 37,969  |         |         |         |         |         |         |
| Capacity   | 293     | 293     | 293     | 293     |         |         |         |         |         |         |
| Enrollment   | 307     | 294     | 289     | 230     |         |         |         |         |         |         |
| <u>Eastern Elementary</u>  |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 34,226  | 34,226  | 34,226  | 34,226  | 34,226  | 34,226  | 34,226  | 34,226  | 34,226  | 34,226  |
| Capacity   | 300     | 300     | 300     | 300     | 300     | 300     | 300     | 300     | 300     | 300     |
| Enrollment   | 285     | 278     | 279     | 276     | 299     | 304     | 315     | 290     | 328     | 292     |
| <u>Glenn Loomis Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 46,537  | 46,537  | 46,537  | 46,537  | 46,537  | 46,537  | 46,537  | 46,537  | 46,537  | 46,537  |
| Capacity   | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     |
| Enrollment   | 326     | 324     | 312     | 307     | 308     | 292     | 296     | 282     | 295     | 261     |
| <u>Interlochen Elementary</u>  |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 37,192  | 37,192  | 37,192  | 37,192  | 37,192  | 37,192  | 37,192  | 37,192  | 37,192  | 37,192  |
| Capacity   | 425     | 425     | 425     | 425     | 425     | 425     | 425     | 425     | 425     | 425     |
| Enrollment   | 358     | 336     | 316     | 315     | 327     | 306     | 305     | 320     | 316     | 346     |
| <u>Long Lake Elementary</u>  |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 38,648  | 38,648  | 38,648  | 38,648  | 38,648  | 38,648  | 38,648  | 38,648  | 38,648  | 38,648  |
| Capacity   | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     |
| Enrollment   | 355     | 337     | 322     | 327     | 313     | 290     | 288     | 300     | 290     | 298     |
| <u>Norris Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 35,161  | 35,161  | 35,161  | 35,161  | 35,161  | 35,161  | 35,161  | 35,161  | 35,161  | 35,161  |
| Capacity   | 325     | 325     | 325     | 325     | 325     | 325     | 325     | 325     | 325     | 325     |
| Enrollment   | 354     | 333     | 304     | 307     | 265     | 236     | 212     | 229     | 274     | 260     |
| <u>Oak Park Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet  | 36,000  | 36,000  | 36,000  | 36,000  | 36,000  | 36,000  | 36,000  | 36,000  | 36,000  | 36,000  |
| Capacity   | 275     | 275     | 275     | 275     | 275     | 275     | 275     | 275     | 275     | 275     |
| Enrollment   | 217     | 180     | 187     | 202     | 232     | 213     | 215     | 205     | 0       | 0       |

<sup>1</sup> This schedule continues on the following page.

**TRAVERSE CITY AREA PUBLICS SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operational Information**  
**School Building Information**  
**Continued from previous page**

|   | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008    |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>Old Mission Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 33,886  | 33,886  | 33,886  | 33,886  | 33,886  | 33,886  | 33,886  | 39,304  | 39,304  | 39,304  |
| Capacity  | 300     | 300     | 300     | 300     | 300     | 300     | 300     | 375     | 375     | 375     |
| Enrollment  | 264     | 262     | 253     | 233     | 231     | 240     | 231     | 205     | 208     | 203     |
| <u>Sabin Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 40,829  | 40,829  | 40,829  | 40,829  | 40,829  | 40,829  | 40,829  | 40,829  | 40,829  | 40,829  |
| Capacity  | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     |
| Enrollment  | 316     | 304     | 297     | 251     | 260     | 198     | 189     | 0       | 0       | 0       |
| <u>Silver Lake Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  |
| Capacity  | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     |
| Enrollment  | 347     | 325     | 304     | 307     | 292     | 286     | 289     | 333     | 356     | 337     |
| <u>Traverse Heights Elementary</u>  |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 36,560  | 36,560  | 36,560  | 36,560  | 36,560  | 36,560  | 36,560  | 36,560  | 57,873  | 57,873  |
| Capacity  | 400     | 400     | 400     | 400     | 400     | 400     | 400     | 400     | 450     | 450     |
| Enrollment  | 260     | 275     | 253     | 266     | 249     | 233     | 231     | 226     | 250     | 278     |
| <u>Westwoods Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  | 42,000  |
| Capacity  | 450     | 450     | 450     | 450     | 450     | 450     | 450     | 450     | 450     | 450     |
| Enrollment  | 354     | 381     | 392     | 392     | 394     | 400     | 410     | 412     | 399     | 413     |
| <u>Willow Hill Elementary</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 36,530  | 36,530  | 36,530  | 36,530  | 36,530  | 36,530  | 36,530  | 36,530  | 36,530  | 44,430  |
| Capacity  | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 350     | 500     |
| Enrollment  | 350     | 324     | 305     | 300     | 310     | 301     | 320     | 331     | 337     | 354     |
| <u>East Junior High</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 | 190,000 |
| Capacity  | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   |
| Enrollment  | 1,319   | 1,274   | 1,210   | 1,204   | 1,244   | 1,179   | 1,169   | 1,279   | 1,140   | 1,140   |
| <u>West Junior High</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 | 210,000 |
| Capacity  | 1,600   | 1,600   | 1,600   | 1,600   | 1,600   | 1,600   | 1,600   | 1,600   | 1,600   | 1,600   |
| Enrollment  | 1,445   | 1,461   | 1,450   | 1,465   | 1,493   | 1,507   | 1,497   | 1,391   | 1,415   | 1,357   |
| <u>Central Senior High School</u>   |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 | 260,000 |
| Capacity  | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,800   | 1,750   |
| Enrollment  | 1,344   | 1,307   | 1,327   | 1,353   | 1,326   | 1,284   | 1,269   | 1,266   | 1,242   | 1,208   |
| <u>Traverse City High School</u><br><u>(formerly East Bay Elementary)</u> |         |         |         |         |         |         |         |         |         |         |
| Square feet   |         |         |         |         | 37,969  | 37,969  | 37,969  | 37,969  | 37,969  | 43,842  |
| Capacity  |         |         |         |         | 293     | 293     | 293     | 293     | 293     | 475     |
| Enrollment  |         |         |         |         | 231     | 223     | 198     | 190     | 177     | 185     |
| <u>West Senior High School</u>  |         |         |         |         |         |         |         |         |         |         |
| Square feet   | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,960 |
| Capacity  | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,500   | 1,800   | 1,800   | 1,875   |
| Enrollment  | 1,437   | 1,444   | 1,437   | 1,392   | 1,398   | 1,445   | 1,447   | 1,509   | 1,506   | 1,520   |

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operating Statistics**  
**2003-2008<sup>1</sup>**

| <b>Fiscal year</b> | <b>Expenses</b> | <b>Enrollment</b> | <b>Cost per pupil</b> | <b>Percentage change</b> | <b>Instructional employees</b> | <b>Pupil/instructional employee ratio</b> |
|--------------------|-----------------|-------------------|-----------------------|--------------------------|--------------------------------|---|
| 2002-2003          | \$ 93,585,946   | 11,009            | \$ 8,501              | 0.0%                     | 644                            | 17.0                                      |
| 2003-2004          | 94,237,804      | 10,929            | 8,623                 | 1.4%                     | 664                            | 16.5                                      |
| 2004-2005          | 96,838,749      | 10,887            | 8,895                 | 3.1%                     | 667                            | 16.3                                      |
| 2005-2006          | 100,086,106     | 10,804            | 9,264                 | 4.1%                     | 670                            | 16.1                                      |
| 2006-2007          | 99,049,251      | 10,758            | 9,207                 | 3.5%                     | 642                            | 16.8                                      |
| 2007-2008          | 103,217,981     | 10,469            | 9,859                 | 6.4%                     | 650                            | 16.1                                      |

<sup>1</sup> This data provided by TCAPS Human Resource Department and is only available for the past six years.





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Dennis D. Theis  
James A. McNeeley  

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Traverse City Area Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of and for the year ended June 30, 2008, which collectively comprise Traverse City Area Public Schools' basic financial statements and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Traverse City Area Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Traverse City Area Public Schools in a separate letter dated September 30, 2008.

This report is intended solely for the information and use of the Board of Education, management, U.S. Department of Education and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Mamay, Costeniser & Ellis, P.C.*

September 30, 2008



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**APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Traverse City Area Public Schools

**Compliance**

We have audited the compliance of Traverse City Area Public Schools with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Traverse City Area Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Traverse City Area Public Schools' management. Our responsibility is to express an opinion on Traverse City Area Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Traverse City Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Traverse City Area Public Schools' compliance with those requirements.

In our opinion, Traverse City Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of Traverse City Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Traverse City Area Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Costeniser, E. Ellis, P.C." The signature is written in a cursive style.

September 30, 2008

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

| Federal grantor/pass through grantor/program title   | Pass-through grantor's<br>number | Federal<br>CFDA<br>number | Approved<br>award<br>amount | Accrued<br>(deferred)<br>revenue at<br>June 30, 2007 | Adjustments<br>and<br>transfers | Current year<br>receipts<br>(cash basis) | Current<br>year<br>expenditures | Accrued<br>(deferred)<br>revenue at<br>June 30, 2008 |
|--|----------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---------------------------------|--|
| <u>US Department of Agriculture:</u>                 |                                  |                           |                             |  |                                 |  |                                 |  |
| <u>Child Nutrition Cluster</u>                       |                                  |                           |                             |  |                                 |  |                                 |  |
| Passed Through the Michigan Department of Education: |                                  |                           |                             |  |                                 |  |                                 |  |
| Summer Food Service                                  |                                  |                           |                             |  |                                 |  |                                 |  |
| 2006-2007  |                                  | 10.559                    | \$ 31,717                   | \$ 5,852   | \$ -                            | \$ 5,852                                 | \$ -                            | \$ -   |
| 2007-2008  |                                  | 10.559                    | 26,162                      | -  | -                               | 17,690                                   | 26,162                          | 8,472  |
|  |                                  |                           | 57,879                      | 5,852  | -                               | 23,542                                   | 26,162                          | 8,472  |
| National School Breakfast Program:                   |                                  |                           |                             |  |                                 |  |                                 |  |
| 2006-2007  | 061970                           | 10.553                    | 208,093                     | 10,107   | -                               | 10,107                                   | -                               | -  |
| 2007-2008  | 061970                           | 10.553                    | 253,199                     | -  | -                               | 242,424                                  | 253,199                         | 10,775   |
|  |                                  |                           | 461,292                     | 10,107   | -                               | 252,531                                  | 253,199                         | 10,775   |
| National School Lunch Program:                       |                                  |                           |                             |  |                                 |  |                                 |  |
| 2006-2007  | 061950/061960                    | 10.555                    | 1,110,847                   | 35,794   | -                               | 35,794                                   | -                               | -  |
| 2006-2007 Snack                                      | 061980                           | 10.555                    | 7,851                       | 313  | -                               | 313                                      | -                               | -  |
| 2007-2008  | 061950/061960                    | 10.555                    | 1,203,931                   | -  | -                               | 1,172,706                                | 1,203,931                       | 31,225   |
| 2007-2008 Snack                                      | 061980                           | 10.555                    | 9,090                       | -  | -                               | 8,888                                    | 9,090                           | 202  |
|  |                                  |                           | 2,331,719                   | 36,107   | -                               | 1,217,701                                | 1,213,021                       | 31,427   |
| National School Lunch - Special Milk Program:        |                                  |                           |                             |  |                                 |  |                                 |  |
| 2007-2008  | 061940                           | 10.556                    | 3,137                       | -  | -                               | 2,968                                    | 3,137                           | 169  |
| Total Child Nutrition Cluster                        |                                  |                           | 2,854,027                   | 52,066   | -                               | 1,496,742                                | 1,495,519                       | 50,843   |
| Food Distribution:                                   |                                  |                           |                             |  |                                 |  |                                 |  |
| Entitlement Commodities 2006-2007                    | N/A                              | 10.550                    | 204,325                     | -  | -                               | 204,325                                  | 204,325                         | -  |
| Bonus Commodities 2007-2008                          | N/A                              | 10.550                    | 9,838                       | -  | -                               | 9,838                                    | 9,838                           | -  |
|  |                                  |                           | 214,163                     | -  | -                               | 214,163                                  | 214,163                         | -  |

The accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(Continued)**

| Federal grantor/pass through grantor/program title | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2007 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2008 |
|--|-------------------------------|---------------------|-----------------------|---|---------------------------|------------------------------------|---------------------------|---|
| <u>US Department of Agriculture (Concluded):</u>   |                               |                     |                       |   |                           |                                    |                           |   |
| <u>Child Nutrition Cluster (Concluded):</u>        |                               |                     |                       |   |                           |                                    |                           |   |
| Passed Through the Michigan Fitness Foundation:    |                               |                     |                       |   |                           |                                    |                           |   |
| State Match Grant for Food Stamp Program:          |                               |                     |                       |   |                           |                                    |                           |   |
| 2007-2008  | 61-5003M                      | 10.561              | \$ 49,733             | \$ -  | \$ -                      | \$ 19,098                          | \$ 30,884                 | \$ 11,786                                   |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE               |                               |                     | 3,117,923             | 52,066                                      | -                         | 1,730,003                          | 1,740,566                 | 62,629                                      |
| <u>U.S. Department of Education:</u>               |                               |                     |                       |   |                           |                                    |                           |   |
| Direct Programs:                                   |                               |                     |                       |   |                           |                                    |                           |   |
| Indian Education                                   | S060A060803                   | 84.060A             | 79,210                | 18,240                                      | -                         | 18,240                             | -                         | -   |
| Indian Education                                   | S060A070803                   | 84.060A             | 76,745                | -   | -                         | 60,345                             | 76,745                    | 16,400                                      |
|  |                               |                     | 155,955               | 18,240                                      | -                         | 78,585                             | 76,745                    | 16,400                                      |
| Carol M. White Physical Education Grant            | Q215F040875                   | 84.215F             | 281,044               | 11,510                                      | -                         | 19,404                             | 7,894                     | -   |
| Carol M. White Physical Education Grant            | Q215F040875-06                | 84.215F             | 283,989               | -   | -                         | 281,758                            | 281,848                   | 90  |
|  |                               |                     | 565,033               | 11,510                                      | -                         | 301,162                            | 289,742                   | 90  |
| Arts Model Development Grant                       | U351D030220-05                | 84.351D             | 261,207               | 188   | -                         | 24,323                             | 24,135                    | -   |
| Smaller Learning Communities                       | S215L070343                   | 84.215L             | 3,608,238             | -   | -                         | 566,107                            | 786,935                   | 220,828                                     |
| Total Direct Programs                              |                               |                     | 4,590,433             | 29,938                                      | -                         | 970,177                            | 1,177,557                 | 237,318                                     |

The accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(Continued)**

| Federal grantor/pass through grantor/program title   | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2007 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2008 |
|--|-------------------------------|---------------------|-----------------------|---|---------------------------|------------------------------------|---------------------------|---|
| <u>U.S. Department of Education:</u>                 |                               |                     |                       |   |                           |                                    |                           |   |
| Passed Through the Michigan Department of Education: |                               |                     |                       |   |                           |                                    |                           |   |
| Title I  | 061530/0607                   | 84.010              | \$ 129,943            | \$ 129,943                                  | \$ -                      | \$ 129,943                         | \$ -                      | \$ -  |
| Title I  | 071530/0607                   | 84.010              | 1,172,956             | 23,998                                      | -                         | 25,256                             | 1,258                     | -   |
| Title I  | 081530/0708                   | 84.010              | 1,477,931             | -   | -                         | 1,069,332                          | 1,293,030                 | 223,698                                     |
|  |                               |                     | <u>2,780,830</u>      | <u>153,941</u>                              | <u>-</u>                  | <u>1,224,531</u>                   | <u>1,294,288</u>          | <u>223,698</u>                              |
| Drug Free Schools & Communities                      | 062860/0607                   | 84.186              | 8,174                 | 1,487                                       | -                         | 1,487                              | -                         | -   |
| Drug Free Schools & Communities                      | 072860/0607                   | 84.186              | 42,583                | 13,476                                      | -                         | 13,476                             | -                         | -   |
| Drug Free Schools & Communities                      | 072860/0708                   | 84.186              | 7,529                 | -   | -                         | 2,146                              | 7,529                     | 5,383                                       |
| Drug Free Schools & Communities                      | 082860/0708                   | 84.186              | 44,529                | -   | -                         | 32,358                             | 34,288                    | 1,930                                       |
|  |                               |                     | <u>102,815</u>        | <u>14,963</u>                               | <u>-</u>                  | <u>49,467</u>                      | <u>41,817</u>             | <u>7,313</u>                                |
| Homeless Children & Youth                            | 072320/0607                   | 84.196              | 69,656                | 7,289                                       | -                         | 7,289                              | -                         | -   |
| Homeless Children & Youth                            | 072320/0708-C                 | 84.196              | 6,385                 | -   | -                         | 6,385                              | 6,385                     | -   |
| Homeless Children & Youth                            | 082320/0708                   | 84.196              | 69,889                | -   | -                         | 60,798                             | 66,858                    | 6,060                                       |
|  |                               |                     | <u>145,930</u>        | <u>7,289</u>                                | <u>-</u>                  | <u>74,472</u>                      | <u>73,243</u>             | <u>6,060</u>                                |
| 21st Century Community Learning Centers              | 072110/21st03024              | 84.287              | 480,000               | 74,060                                      | -                         | 73,671                             | (389)                     | -   |
| 21st Century Community Learning Centers              | 082110/21st03024              | 84.287              | 480,000               | -   | -                         | 326,697                            | 480,000                   | 153,303                                     |
|  |                               |                     | <u>960,000</u>        | <u>74,060</u>                               | <u>-</u>                  | <u>400,368</u>                     | <u>479,611</u>            | <u>153,303</u>                              |
| Title V Innovative Education Program Strategies      | 0080250/0708                  | 84.298              | 2,187                 | -   | -                         | 2,187                              | 2,187                     | -   |

The accompanying notes are an integral part of this schedule.



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(Continued)**

| Federal grantor/pass through grantor/program title                  | Pass-through grantor's<br>number | Federal<br>CFDA<br>number | Approved<br>award<br>amount | Accrued<br>(deferred)<br>revenue at<br>June 30, 2007 | Adjustments<br>and<br>transfers | Current year<br>receipts<br>(cash basis) | Current<br>year<br>expenditures | Accrued<br>(deferred)<br>revenue at<br>June 30, 2008 |
|---|----------------------------------|---------------------------|-----------------------------|--|---------------------------------|--|---------------------------------|--|
| <u>U.S. Department of Education (Continued):</u>                    |                                  |                           |                             |  |                                 |  |                                 |  |
| Passed Through the Michigan Department of Education (Continued):    |                                  |                           |                             |  |                                 |  |                                 |  |
| Title II Part D Technology Literacy Challenge Grant                 | 074290/0607                      | 84.318                    | \$ 11,926                   | \$ 230   | \$ -                            | \$ 230                                   | \$ -                            | \$ -   |
| Title II Part D Technology Literacy Challenge Grant                 | 084290/0708                      | 84.318                    | 12,323                      | -  | -                               | 11,759                                   | 12,323                          | 564  |
|   |                                  |                           | 24,249                      | 230  | -                               | 11,989                                   | 12,323                          | 564  |
| Title II Improving Teacher Quality                                  | 070520/0607                      | 84.367                    | 484,756                     | 63,043   | -                               | 63,043                                   | -                               | -  |
| Title II Improving Teacher Quality                                  | 080520/0708                      | 84.367                    | 538,382                     | -  | -                               | 442,016                                  | 538,382                         | 96,366   |
|   |                                  |                           | 1,023,138                   | 63,043   | -                               | 505,059                                  | 538,382                         | 96,366   |
| Title III Immigrant Students  | 080570/0708                      | 84.938C                   | 39,697                      | -  | -                               | 39,697                                   | 39,697                          | -  |
| Title III Limited English Proficient Students                       | 080580/0708                      | 84.938C                   | 30,496                      | -  | -                               | 30,496                                   | 30,496                          | -  |
|   |                                  |                           | 70,193                      | -  | -                               | 70,193                                   | 70,193                          | -  |
| Service Provider Self Review  | 080440/0708                      | 84.027A                   | 5,500                       | -  | -                               | 5,500                                    | 5,500                           | -  |
| Total Passed Through the Michigan Department of Education           |                                  |                           | 5,114,842                   | 313,526  | -                               | 2,343,766                                | 2,517,544                       | 487,304  |
| Passed Through Traverse Bay Area Intermediate School District:      |                                  |                           |                             |  |                                 |  |                                 |  |
| Special Education Cluster:  |                                  |                           |                             |  |                                 |  |                                 |  |
| Transition Mini-Grant   | 070490 TS                        | 84.027A                   | 5,356                       | 455  | -                               | 455                                      | -                               | -  |
| Transition Mini-Grant   | 80490 TS                         | 84.027A                   | 6,678                       | -  | -                               | 6,185                                    | 6,635                           | 450  |
| IDEA Grant  | 060450/0506                      | 84.027A                   | 13,392                      | 88   | -                               | 88                                       | -                               | -  |
|   |                                  |                           | 25,426                      | 543  | -                               | 6,728                                    | 6,635                           | 450  |
| Pre-School Incentives (PPI)   | 080460/0607                      | 84.173A                   | 73,719                      | -  | -                               | 73,719                                   | 73,719                          | -  |
| Total Passed Through Traverse Bay Area Intermediate School District |                                  |                           | 99,145                      | 543  | -                               | 80,447                                   | 80,354                          | 450  |
| TOTAL U.S. DEPARTMENT OF EDUCATION                                  |                                  |                           | 9,804,420                   | 344,007  | -                               | 3,394,390                                | 3,775,455                       | 725,072  |

The accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(Concluded)**

| Federal grantor/pass through grantor/program title                 | Pass-through grantor's number | Federal CFDA number | Approved award amount | Accrued (deferred) revenue at June 30, 2007 | Adjustments and transfers | Current year receipts (cash basis) | Current year expenditures | Accrued (deferred) revenue at June 30, 2008 |
|--|-------------------------------|---------------------|-----------------------|---|---------------------------|------------------------------------|---------------------------|---|
| <u>U.S. Department of Environmental Protection Agency:</u>         |                               |                     |                       |   |                           |                                    |                           |   |
| Direct Programs:   |                               |                     |                       |   |                           |                                    |                           |   |
| Clean School Bus USA   | SB-83287601-0                 | 66.036              | \$ 140,365            | \$ 5,829                                    | \$ -                      | \$ 31,485                          | \$ 25,656                 | \$ -  |
| <u>U.S. Department of Health and Human Services:</u>               |                               |                     |                       |   |                           |                                    |                           |   |
| Passed Through the MI Dept of Health and Human Services:           |                               |                     |                       |   |                           |                                    |                           |   |
| Before & After School Child Care Program                           | BA-05-28001-2                 | 93.558              | 214,303               | 46,773                                      | -                         | 82,320                             | 35,547                    | -   |
| Before & After School Child Care Program                           | BA-05-28001-2                 | 93.558              | 214,303               | -   | -                         | 96,301                             | 152,526                   | 56,225                                      |
|  |                               |                     | 428,606               | 46,773                                      | -                         | 178,621                            | 188,073                   | 56,225                                      |
| Children's Trust Fund  | CTFDS 06-28002 1              | 93.590              | 39,540                | (4,066)                                     | -                         | -                                  | 4,066                     | -   |
| Children's Trust Fund  | CTFDS 06-28002 2              | 93.590              | 19,770                | (5,424)                                     | -                         | 9,403                              | 15,653                    | 826   |
|  |                               |                     | 59,310                | (9,490)                                     | -                         | 9,403                              | 19,719                    | 826   |
| Total Passed Through MI Dept of Health and Human Services          |                               |                     | 487,916               | 37,283                                      | -                         | 188,024                            | 207,792                   | 57,051                                      |
| Passed Through the Traverse Bay Area Intermediate School District: |                               |                     |                       |   |                           |                                    |                           |   |
| Medicaid Transportation  | N/A                           | 93.778              | 21,253                | -   | -                         | 21,253                             | 21,253                    | -   |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES                 |                               |                     | 509,169               | 37,283                                      | -                         | 209,277                            | 229,045                   | 57,051                                      |
| <u>Corporation for National and Community Service:</u>             |                               |                     |                       |   |                           |                                    |                           |   |
| Passed Through the MI Dept of Health and Human Services:           |                               |                     |                       |   |                           |                                    |                           |   |
| Learn and Serve  | MCSC/SBLS/F-157/07            | 94.004              | 8,000                 | 3,045                                       | -                         | 3,045                              | -                         | -   |
| Learn and Serve  | MSBF-08-28184                 | 94.004              | 24,500                | -   | -                         | 5,976                              | 16,436                    | 10,460                                      |
|  |                               |                     | 32,500                | 3,045                                       | -                         | 9,021                              | 16,436                    | 10,460                                      |
| TOTAL FEDERAL FINANCIAL ASSISTANCE                                 |                               |                     | \$ 13,604,377         | \$ 442,230                                  | \$ -                      | \$ 5,374,176                       | \$ 5,787,158              | \$ 855,212                                  |

v

The accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Traverse City Area Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Title I, CFDA #84.010, Smaller Learning Communities Grant, CFDA # 84.215L, and Title II Improving Teacher Quality, CFDA #84.367 were audited as major programs.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditor's Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

|  |                           |
|--|---------------------------|
| General fund   | \$3,390,072               |
| Other nonmajor governmental funds (special revenue fund) | <u>2,397,086</u>          |
| Total financial assistance                               | <u><u>\$5,787,158</u></u> |

6. Program clusters contained within the schedule are as follows:  
  
Child Nutrition Cluster consists of CFDA #10.553, #10.555, #10.556 and #10.559.  
  
Special Education Cluster consists of CFDA #84.027, #84.173 and #84.367.
7. During the year, Traverse City Area Public School passed through \$88,480, \$90,375, and \$90,500 of 21<sup>st</sup> Century Community Learning Center money, CFDA #84.287, to Buckley Community Schools, Kingsley Area Schools, and Northport Community Schools, respectively. In addition, Traverse City Area Public School passed through \$78,455, \$62,527 and \$78,807 of Smaller Learning Communities money, CFDA #84.215L, to Grand Rapids Public Schools, Marquette Area Public Schools, and Muskegon Public Schools, respectively.

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Type of auditors' report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes        X   No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 84.010         | Title I                            |
| 84.367         | Title II Improving Teacher Quality |
| 84.215L        | Smaller Learning Communities       |

Dollar threshold used to distinguish between type A and type B programs:

\$      300,000

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_

**Section II - Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

There were no audit findings in either of the prior two years.

# Traverse City Area Public Schools

**TCAPS**

Traverse City Area Public Schools

**2008-2011**

## Vision

In partnership with a caring community, Traverse City Area Public Schools will prepare every student with the knowledge and strategies for a lifetime of successful learning and responsible global citizenship.

## Mission

The mission of Traverse City Area Public Schools is to ensure successful academic achievement for all students.

## Goals

1. All students will make a minimum of a year's growth annually and demonstrate grade level proficiency in language arts, math, science, and social studies.
2. All communication will increase support and engagement among students, staff, parents, and community for improved relationships and student achievement.
3. The District will responsibly manage and align human, financial, and physical resources in support of improved student achievement.





Lamonte T. Later  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda L. Schirmer  
Steven W. Scott  
David M. Raack  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orlans  
Dennis D. Thies

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

September 30, 2008

To the Board of Education  
Traverse City Area Public Schools  
Traverse City, Michigan

In planning and performing our audit of the financial statements of Traverse City Area Public Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Traverse City Area Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 30, 2008 on the financial statements of Traverse City Area Public Schools. Our comments are summarized as follows.

### **Month-end Procedures Checklist**

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

### **Uninsured Bank Deposits**

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.



### **Initial Listing of Cash Receipts**

During the recently completed audit we noted that an initial listing of cash receipts is being prepared but is not consistently compared to what was deposited in the bank. We recommend that someone independent of the receipt system compare the initial listing of cash receipts to the deposit and document this procedure.

### **Checks Prepared by Purchasing**

During the course of the audit we noted that the purchasing director occasionally prepares checks and submits them for upload to the positive pay system. These checks are not currently being reviewed by another individual. During our testing we found no instances where an improper check was ever issued. We recommend someone independent of the cash disbursement process review and approve checks written by the purchasing director before uploading to the positive pay system.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Traverse City Area Public Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

A handwritten signature in cursive script that reads "Mary Costeniser, E. Ellis, P.C." The signature is written in dark ink and is positioned below the typed name "Mary Costeniser, E. Ellis, P.C." which is also present in the image.

September 30, 2008



Lamonte T. Later  
Bruce J. Dunn  
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September 30, 2008

To the Finance Committee  
Traverse City Area Public Schools

We have audited the financial statements of Traverse City Area Public Schools for the year ended June 30, 2008, and have issued our report thereon dated September 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Traverse City Area Public Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Traverse City Area Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Traverse City Area Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Traverse City Area Public Schools' compliance with those requirements.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 10, 2008.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Traverse City Area Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosure(s) affecting the financial statements.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance Committee, Board of Directors and management of Traverse City Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Mary Costeniser, E. Ellis, P.C." The signature is written in a cursive style.

September 30, 2008